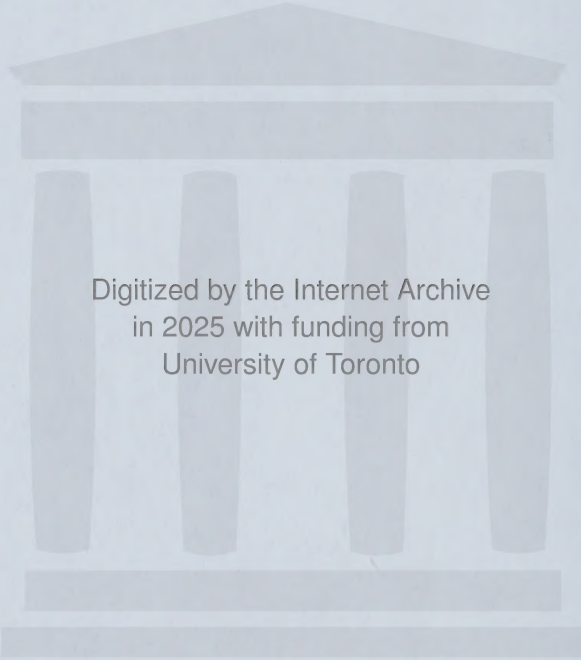




The Empire Club of Canada

Founded 1903

Addresses
1991-1992



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The Empire Club of Canada



1991-1992
88th Year



**HER MAJESTY, QUEEN ELIZABETH II
HIS ROYAL HIGHNESS, PRINCE PHILIP,
DUKE OF EDINBURGH**
on the occasion of their 40th wedding anniversary.



The Empire Club of Canada

Founded 1903

Addresses 1991-1992

GOD SAVE THE QUEEN

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JOHN F. BANKES
President, 1991-1992

The Empire Club of Canada

PRESIDENT'S FOREWORD

"The difficulty lies not in the new ideas, but in escaping from the old ones, which ramify into every corner of our mind."

John Maynard Keynes

This Foreword is being written following a vertiginous period of twelve months. The collapse of Communism in Eastern Europe, the reunification of Germany, and the Persian Gulf war were among the momentous events during this period. Arabs and Israelis now sit face-to-face and talk peace. The Soviet Union can only be found in history books. Black and white South Africans cheered each other at the recent Barcelona Olympics. And, as political correctness reached its zenith, Toronto the Politically Correct officially replaced Toronto the Good.

Commentators have offered various explanations for the confluence of these events, including the warm currents of El Nino in the Pacific Ocean and the eruption of Mount Pinatubo in the Philippines! One wonders what's in store for the world — and for The Empire Club — this time next year!

A year in the life of The Empire Club of Canada has a trajectory of its own. A considerable amount of forethought and careful planning by the directors and officers of the Club goes into each twelve-month term to ensure that Empire Club members and guests are exposed to a stimulating, entertaining and informative group of speakers. Nevertheless, the year takes you places you did not intend to go; it leaves you with thoughts and ideas different from those you had when you began.

A brief review of this yearbook's Table of Contents reveals an intellectual travelogue — a story of an odyssey that touches on many of the Big Questions of the day. One is reminded of the courageous intellectual traveller in Lord

Tennyson's poem *Ulysses*. The traveller is eager to be off again and "yearn(s) in desire to follow knowledge...beyond the utmost bound of human thought;...to sail beyond the sunset, and the baths of all the western stars." Like Ulysses, The Empire Club, in providing a platform for prominent speakers, is engaged in the constant exploration of ideas and the articulation of those ideas that characterize our society.

The 1991-92 season of The Empire Club featured a wide range of speakers, whose presentations covered a protean "grab bag" of issues. In designing the roster of speakers for the year, the Club's directors and officers made no attempt to isolate one key issue or to focus or specialize in one area. As Robert A. Heilen once wrote:

A human being should be able to change a diaper, plan an invasion, butcher a hog, design a building, write a sonnet, balance accounts, build a wall, set a bone, comfort the dying, take orders, give orders, co-operate, act alone, solve equations, pitch manure, program a computer, cook a tasty meal, fight efficiently, die gallantly. Specialization is for insects.

Categorization of the speeches contained in this volume into neat single-serving packages related to individual issues is difficult. The speeches — at least, many of them — are too complex to be easily categorized.

Some Empire Club speakers this year focused on the great political drama — both domestic and international — happening around us. Other commentators were critical of society being buried in the slough of despond and offered prescriptions to reinvigorate an economy seemingly stuck in first gear. Others concentrated on the environment and the stewardship of our natural resources. Barriers to free trade, regulatory reform, nutrition, table manners, electricity, education, health care, native rights, freedom of speech and the retailing, transportation, beverage and automobile industries were among the other topics covered by the Club's speakers this year.

Some say that the print medium is a doomed and outdated technology. In the real world — that is, in the digital precincts of VCRs, cellular phones, fax machines, local area networks and computer hackers — you will frequently hear it said that the print medium is a mere curiosity of bygone days destined soon to be consigned forever to those dusty museums, called libraries.

The Empire Club yearbook has been published annually since 1903 and is funded by The Empire Club Foundation and the generous contributions of many members and organizations. This yearbook, dealing with many of the political, economic and societal issues permeating the environment today, will hopefully constitute a small victory for the print medium. Researchers and students will find it a useful resource. Others will pick up this text to be stimulated and/or entertained. Inevitably, readers of this Empire Club yearbook will find that their vistas have grown, their perspectives lengthened, and reflections deepened.

John F. Bankes, President 1991-92

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The Hon. Floyd Laughren

*Deputy Premier, Treasurer of Ontario, Minister of
 Economic Development*

THE 1981 ONTARIO BUDGET

Introduction: William F. Weld

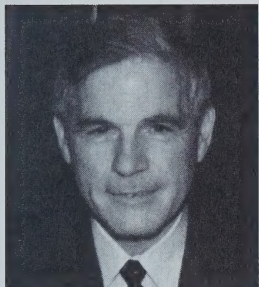
Conclusion: The Hon. Lloyd Axworthy

The 1981 Ontario Budget is a landmark document that will be remembered for its boldness, its vision, and its impact on the lives of Ontarians. It is a budget that is not only a statement of the government's policies and programs, but also a statement of the government's commitment to the people of Ontario. It is a budget that is not only a statement of the government's commitment to the people of Ontario, but also a statement of the government's commitment to the people of Ontario.

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May 6, 1991

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

The Hon. Floyd Laughren

Deputy Premier, Treasurer of Ontario, Minister of
Economics

THE 1991 ONTARIO BUDGET

Introduction: Roland Lutes

President, The Canadian Club of Toronto

The 1991 Ontario Budget is an important document for all of us and indeed for all of Ontario. It is in many respects a reflection of the government's policies and priorities. This 1991 Budget is significant as well in that it is the first budget in Ontario of the New Democratic Party. Our speaker today brings to the discussion of this budget, first-hand and, shall we say, personal knowledge. Floyd Laughren is the Treasurer, Minister of Economics and Deputy Premier. He was first elected to the legislature in 1971 as the member from the Nickel Belt and has represented this riding continuously since that time. As a senior and very much respected member of his party, he has served while in opposition as party Critic for a number of portfolios. For the four years prior to last September, he was the party Critic for the Treasury and Revenue ministries. As Treasurer and Minister of Economics, Floyd Laughren now serves as a senior cabinet minister with responsibility for Ontario's fiscal policies, management of the provincial finances, and the allocation of a budget of \$48.5 billion. Ladies and Gentlemen, The Hon. Floyd Laughren, Treasurer of Ontario and Minister of Economics.

Floyd Laughren:

Thank you and good afternoon. I welcome this opportunity to talk about the 1991 Provincial Budget and the fiscal and economic policies of the Government of Ontario.

Over the past week, I have listened carefully to the various responses to our first Budget. As I'm sure you've noticed, the major criticism has focused on the deficit.

I am concerned about the deficit too. No Treasurer would take a deficit of \$9.7 billion lightly. But I do not share the alarmist sentiments of some of our critics.

I know that there are good reasons why the deficit has climbed to this level this year. I also know that our government is determined to bring the deficit down as the economy recovers.

I realize, of course, that we are new to office at Queen's Park and we do not have a track record as guardians of the public purse. So there is skepticism. But by the end of our first mandate, there will be a record and I am confident that it will be one that the people of Ontario can support.

It will be supportable because we will have kept our fiscal house in order without gutting the services that Ontarians want and need.

The Spending Increase

There has been much said and written in the last few days about the so-called "spending spree" that this government is apparently on. I think this commentary reflects a lack of appreciation of our economic and fiscal circumstances.

Let's look at the components of the \$6.2 billion spending increase in the 1991 Budget and the forces driving that increase. The \$6.2 billion is the difference between the \$52.7 billion-plus that we are spending in this fiscal year, compared to the \$46.5 billion spent last year.

Social Assistance

First of all, this is the worst recession in Ontario in 50 years. The downturn is much worse here than in other

provinces; some analysts have noted that the recession is twice as bad in Ontario as in the rest of the country. We have lost around a quarter of a million jobs.

The recession has seriously eroded government revenues by close to \$1 billion in 1991-92.

But it has done more than that. It has added to our expenditures. For example, social assistance caseloads have skyrocketed because of high unemployment. That has meant a 40 per cent increase in Provincial expenditures to keep people housed and fed until they can get back on their feet and into the labour force again.

Spending for social assistance has gone up \$1.4 billion, and most of that expenditure has been unavoidable. The increase in large measure represents the stabilizers that are built into our income security system to prevent social disintegration in hard times.

The amount of discretionary spending is in the range of \$400 million. About half of that went to increase social assistance rates last January to cover inflation and help with the rising costs of shelter.

We have also honoured our commitment to proceed with reform of the social assistance system. These reforms will make the system not only more humane, but more effective in helping people get out of the poverty trap.

We are putting almost \$50 million into back-to-work initiatives and job creation to reduce reliance on social assistance. We are also providing \$25 million to help municipalities with their cost-sharing responsibilities for welfare.

Health and Education

Approximately \$1.7 billion of the \$6.3 billion spending increase is going to maintain our health care and education systems. This is mainly for the normal year-over-year growth in programs. Don't forget that our education system costs us some \$10 billion a year and health care \$17 billion.

I have said many times in the past week, and I will say again, that these programs are essential to the well-being of our society. Now is not the time to starve them for funds.

That doesn't mean, however, that we believe there is no room for improved cost-effectiveness. On the contrary, we will be examining education and health programs as part of our pledge to manage the public sector effectively.

But the kind of in-depth review, reallocation and redesign of programs that we want to do across government couldn't be done in our first seven months in office.

Anti-Recession Program

Another portion of the spending increase is the approximately \$640 million for our anti-recession employment program.

This program is creating some 18,000 jobs directly at a time when unemployment is forecast to average 10 per cent for the year.

As a government, we know we can't go out and create those 250,000 jobs that have been lost so far in this recession. But we have tried to cushion the impact of the recession, particularly in communities such as those in Northern Ontario that have been devastated by closures in the resource industry. Most of the anti-recession program dollars are being spent on capital projects which will be enduring assets in Ontario communities.

Debt Interest

Almost \$680 million is going to pay interest on the debt. That is a lot of money, I agree, but many commentators seem to be getting the Ontario Government confused with the Federal Government.

It is Ottawa which has to pay some 34 cents of every revenue dollar to service the debt. Ontario is paying 11.6 cents on the revenue dollar this year. That will rise to 12.3 cents and stabilize over the course of our medium-term fiscal plan.

Ontario is not in the debt-servicing bind that Ottawa is. And we don't intend to get into it.

I want to give credit to my predecessor in this job for leaving the Province in a sound fiscal position going into this recession. That is a major reason why we can afford to carry this deficit and stimulate the economy during this tough period when so many people are hurting.

I would like to go even farther back to another of my predecessors. In 1982-83, when the Conservatives were still in office at Queen's Park and Ontario was in the midst of the last major recession, which wasn't as severe as the current one, total debt as a percentage of GDP was 17.4 per cent. This year, it's 18.3.

I don't recall the same level of consternation back then. I think it's because it was assumed that the government would bring the deficit down when times were better. As it turned out, that is what happened.

The government now in office at Queen's Park has a plan to bring the deficit down substantially over the next few years. I will get to that plan in a few moments.

But I would like to say that we are going to bring the deficit down in spite of the Federal Government, which is off-loading its debt problems to the provinces while, at the same time, telling us we shouldn't be spending to help Ontario get out of this recession.

I would like to point out that the accumulated federal debt in Canada has more than doubled from around \$200 billion in 1984-85 to over \$400 billion in 1991-92. And the federal debt to GDP ratio is now at 60 per cent.

It is partly thanks to the Federal Government that we have the deficit we do because of the systematic dismantling of its transfer agreements with the provinces. Because of actions taken in the federal budgets of 1990 and 1991, federal transfers to Ontario have been reduced by \$1.6 billion below previous commitments for this fiscal year alone.

I could spend the rest of my speech on this subject, but I want to finish summarizing the breakdown of Ontario's spending increase this year and talk a little about the implications.

So far, we have counted the following components: \$1.4 billion for social assistance, \$1.7 billion for health and education, almost \$700 million for our anti-recession job-creation program and \$640 million for interest on the debt. The total is almost \$4.5 billion.

New Programs and Ongoing Costs

Of the remainder, approximately \$700 million was spent on new programs — including increased support for affordable housing, which will have spinoff effects in employment for some 20,000 people, and labour adjustment initiatives which will provide support to people who have lost their jobs.

The inflation component of increases in all the rest of the programs in government that aren't in health, education or social assistance — adds the final \$1 billion.

We estimate that the new programs announced by this government, including our efforts to keep people working during the recession and to improve social and economic equity, cost about \$1.5 billion, including almost \$700 million for one-time anti-recession spending.

I have said all along in this budget debate that I am convinced that the right choice under current economic conditions is to fight the recession, not this year's deficit. We estimated that if we had not provided economic stimulus in this Budget, the recovery may have been delayed for up to six months, with implications for business bankruptcies, further job losses and lagging consumer spending.

What do we support with \$6.7 billion?

Some critics have said that I should have kept the deficit to around last year's level of \$3 billion by slashing and squeezing government programs. I do not think people understand what it would have meant to cut \$6 to \$7 billion out of Ontario programs and services.

We spend that \$6 to \$7 billion supporting our public hospital system. Our hospital system employs 170,000 people, and is the lynchpin of our health care system.

We spend that kind of money supporting our school system, providing grants to school boards across the province and operating the Ministries of Education and Skills Development. Without provincial support, the entire burden would be transferred to the property taxpayer.

Alternatively, we could decimate our programs in Transportation, Northern Development and Mines, Natural Resources, Environment, Energy, Agriculture and Food, Industry, Trade and Technology, Tourism and Recreation. But even that wouldn't be enough to get the deficit down to \$3 billion.

It's important to put this in perspective. You can't just nibble around the edges of programs and come up with \$6 to \$7 billion — it was not a matter of closing a few hospital beds or cutting back a few grants this year. That just wouldn't do it.

It also would be extremely ill-timed to cut back on services and put more people out of work during the recession.

So many of the services government provides are vital to the kind of Ontario we live in. They are not expendable services.

Public Sector Jobs

There is also a general tendency, I think, to assume that public sector jobs aren't real jobs, that these people won't end up on unemployment insurance or social assistance if they are laid off. These are real people delivering real services that we tend to take for granted.

They are people working in schools and hospitals. They operate our parks; they monitor the safety of our water quality; they protect our communities from crime.

I'm not claiming there is nothing that can be done in terms of effective fiscal management of government programs. I believe strongly that we can achieve real progress in making what government does, and how it does it, more efficient and more effective.

We are inviting our public sector unions to work in partnership with us to make programs more efficient and

effective. The people on the front lines often know the best ways to make things work better. They also know the kinds of fiscal pressures we are under. We hope they will work with us to help us reach the targets of our fiscal plan.

The Fiscal Plan

The fiscal plan I am talking about covers the next three years. This government is committed to making substantial reductions in the deficit as the economy picks up. Our fiscal plan funds government services at an average annual growth rate over the three years from 1992-93 through 1994-95 of 6.5 per cent.

This government has an important social agenda; we have priorities that we want to meet. We will not be able to do so — and still bring the deficit down — with a 6.5 per cent average annual increase unless we reallocate expenditures, redesign programs and make services more effective.

Treasury Board

To help us accomplish this task, we will be establishing a Treasury Board, which I will chair and which will include several key cabinet ministers. I know that internal bureaucratic change is not very interesting for those outside government, but those of you who manage companies understand the need for effective cost-control mechanisms.

Previously, the expenditure management function was divided between the Ministry of Treasury and Economics and Management Board of Cabinet. There was no way to engage in the kind of managerial innovation required to meet priorities within strict fiscal limits. Treasury Board will take on this role.

Health Care

One example of new approaches to managing the public sector is our strategy for health care. Health care spending has been rising at over 12 per cent a year over the past decade. And health care represents about one-third of total Provincial spending.

We are bringing expenditures under control, in partnership with health-care providers. The agreement that was made public over the weekend between the government and the Ontario Medical Association is a landmark, not just in terms of expenditure management, but also in terms of our partnership with the province's doctors.

Meeting Targets

I realize there is some skepticism about any government's ability to meet fiscal targets. After all, there are many other governments like those in Ottawa and Washington which have tried to carry out fiscal plans and failed.

Under Reaganomics, with all its talk about minimizing government, the U.S. federal debt rose from just over \$900 billion in 1980 to an estimated \$3.1 trillion by the end of 1990.

We have tried hard to make our projections realistic. We could have forecast a lower deficit by the budget of 1994. But we wanted to ensure that we were credible in terms of what was possible over the next three years.

As any of you who have been involved with forecasting know, you can't guarantee to be on the mark 100 per cent of the time when it comes to the future.

We have tried to be — if you will forgive the expression — relatively conservative in our outlook. If revenues are stronger and we can get expenditures lower than we have projected, then we will be able to do better than our fiscal plan indicates.

Our deficit-to-revenue this year is 22.6 per cent and our deficit-to-GDP is 3.4 per cent. By the final year of the medium-term plan, deficit to revenue is projected to be down to 13.7 per cent and deficit to GDP down to 2.2 per cent.

It has been pointed out that we will have to raise taxes over the next three years. Some people seem to be shocked by this. I'm not sure why — even conservative governments who promise they won't raise taxes, raise taxes. Again, we are

trying to be realistic. The actual mix of expenditure reallocations and tax moves will depend on the strength of the economy and on what Treasury Board recommends.

Whatever specific changes are made to revenue measures, we are committed to a fair tax system. We established the Fair Tax Commission to look at a system that has not had a comprehensive review in 25 years. This review process involves the active participation of a whole range of people, including both labour and business.

Beyond our medium-term forecast, we are committed to balancing the operating account by 1997.

In this budget we have made a clear distinction between capital and operating expenditures by establishing two separate accounts this year to emphasize the importance of capital investment.

We are investing \$4.3 billion in capital projects this year. These projects not only give people jobs, they also provide vital infrastructure for our society — the hospitals, schools, water and sewer systems and transit networks that form the physical foundation for growth of Ontario communities.

This infrastructure is one of the attractions for private sector investment, as well as an important ingredient in our standard of living.

Competitiveness

Which leads me to the other major point I'd like to discuss today — Ontario's competitiveness.

This Budget represents our effort to fight the recession this year by offsetting the weakness in private investment rather than closing down facilities and cutting off services to reduce the deficit. But it also represents an investment in Ontario, to lay the groundwork for sustainable prosperity in the 1990s.

Our vision of sustainable prosperity is an economy which provides secure, well-paid jobs at high levels of employment. It is an economy which is environmentally, as well as socially,

sustainable. It is an economy in which the benefits of growth are shared fairly.

Ontario's economy, like others around the world, is undergoing fundamental restructuring. In the new knowledge-based world economy, everyone is having to learn new ways to compete — to increase productivity, adopt new technologies and managerial practices, enhance workers' skills and invest in emerging businesses.

This government sees a leadership role for the public sector in supporting positive economic change and ensuring that the costs of economic adjustment are shared fairly.

There is a tendency to assume that government spending is a drain on the economy. We believe that, strategically focused, public sector investment is a strength.

Public Sector Investment

Some American economists argue that there is a strong link between infrastructure investment and productivity. They calculate that if public investment had stayed at historical levels in the U.S. in the 1980s, private sector productivity growth would have been 50 per cent higher.

But governments don't just build roads that carry goods to market. They also invest in social infrastructure and human capital. In Ontario, we have a sophisticated health and social services system. Our health care system is a good example of the contribution of public sector services to the bottom line.

For an employer in the United States, the direct cost of medical coverage per employee in 1990 is an estimated \$3,000 (Canadian). The comparable cost for an employer in Ontario is an average \$640 per employee. That differential is a major contribution to competitiveness of Ontario business.

Public spending on education and training makes an important contribution to productivity. It is acknowledged world-wide that the key to success in the technological economy is human capital — the skills and adaptability of the work force.

In this year's budget, we have initiated important reforms of our colleges of applied arts and technology aimed at improving the fit between our educational institutions and the needs of workers and managers.

Research and innovation are also vital to competitiveness in the 1990s. Business is being challenged to change products and production processes on a continuing basis. In this budget, we have improved funding for the Innovation Ontario Corporation to invest in the growth of high-technology firms.

I want to emphasize that our strategy is aimed at a high-wage, high-value-added economy. Like many of the industrialized nations with which we compete, we must redefine competition and the way we get there. We must set goals which take us away from low-wage, low productivity and environmentally wasteful types of economic activity.

Workers and investors both must be assured of a fair return on their effort. Workers who are paid fairly, who feel secure, who feel they can participate in change and benefit from it will be more likely to welcome change in the workplace and contribute to innovation. This is the key to competition in the future.

We also believe that Ontario can compete on a strong environmental agenda. Trading partners like Japan have adapted to the need for greater energy efficiency and become more productive. Germany has done the same in pollution abatement and is moving ahead of other nations in environmental technology. There are real economic opportunities in the environmental challenge.

Partnership

An important part of economic strategy is building partnerships among government, business, labour and communities to work out the economic solutions that work best for Ontario.

The Fair Tax Commission is a start — it is a co-operative effort to find good solutions. Business and labour in certain

sectors have already begun working in partnership, particularly in the area of training.

Work force training is a good place to start working together more because it is in all our interests to ensure that the work force has the skills and adaptability necessary to improve productivity and competitiveness. This government wants to put training at the centre of economic adjustment.

I have been told that partnership won't work here because, unlike countries such as Germany and Sweden, we have no experience with co-operative models. I reject the notion that because we haven't done it here before, it can't be accomplished. There hasn't been an NDP government in Ontario before either.

Now is the time for workers and managers with foresight to grasp the opportunities and necessities of economic change.

Conclusion

I realize that many people in the business community disagree with our approach to this year's deficit. I think we can agree to disagree. But there is a lot that needs to be done to safeguard jobs and investment in Ontario. We must not let our relationship deteriorate into destructive confrontation when Ontario's competitiveness and productivity are at stake.

As a new government we have a few years to prove ourselves effective managers of the public sector and effective partners with labour, business and communities. We will do so.

The restructuring of the Ontario economy challenges us to come up with new solutions.

I've given an indication of where our priorities lie.

- We want to keep people working.
- We want to continue to invest in public infrastructure for the future.
- We want to address issues of fairness in our society.

- We want to maintain and improve essential government services.
- We want to meet the targets of our fiscal plan.
- We want to promote sustainable prosperity.

I remain optimistic about the future. I note that the latest Conference Board report says that we are in the depths of recession this year, but they are expecting a strong comeback in 1992.

Ontario has met economic challenges before and prospered. We will do so again by finding innovative responses to economic change.

The Government of Ontario has weathered credit watches in the past too. Its triple-A rating was downgraded as recently as 1985. The Province eventually won its triple-A back.

If our rating is reduced again, we will earn it back through effective fiscal management.

I am concerned, however, that some of the adverse reaction to Ontario's fiscal position reflects a lack of confidence in the future.

I believe that Ontario's budget signals strong confidence in our future by investing in recovery and calling upon all Ontarians to work together for sustainable prosperity.

The appreciation of the meeting was expressed by John F. Bankes, President, The Empire Club of Canada.

Thank you, Minister.

Last Monday's Budget — the first by an NDP government in Ontario — is intended to put in place "the foundation of a new economic strategy — a strategy that has sustainable prosperity as its central goal and fairness as its guiding principle."

Minister, as mentioned in your remarks, the Budget has attracted considerable commentary, discussion and debate. Some have described it in unflattering terms. One commentator described the Budget as Treasurer Laughren's "walk on the wild side of deficit finance" and suggested that the credit watch imposed by the bond-rating services would turn into a "credit wake" by the end of this month. Yet another commented on the Budget's effect in terms of increasing Canada's foreign borrowing, resulting in a higher

Canadian dollar in the short-term and a consequential adverse effect not only for Ontario, but also for the rest of Canada.

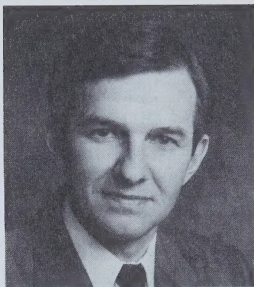
Some commentators have focused on — to borrow an Operation Desert Storm expression — the proposed “Mother” of all deficits as running counter to the austerity measures and restraint being attempted elsewhere in this country; the point being, that Canada is already in the throws of a constitutional crisis that affects foreign and domestic confidence in the economy, and now has to grapple with marked internal division in fiscal policy. Finally, the Prime Minister characterized Ontario’s projected \$9.7 billion deficit as “merely a burden placed on our children and grandchildren;” clearly, part of his concern was that increases in indirect taxes announced by Ontario would make Ottawa’s plan for reducing inflation all the more difficult to achieve.

As one would expect, there are equally strong views being expressed by admirers of the Treasurer’s recent initiative. Last evening on CBC Radio’s Cross-Country Check-Up, many listeners complimented the Treasurer for his preoccupation with “the quality of life in Ontario” and his strengthening of the social safety net in this province. Others pointed out that a very respectable argument can be made for budgetary deficits during an economic recession. In this regard, your promise, Sir, that Ontario will not be stuck on the same debt treadmill as the Federal Government is very reassuring. In short, the view that your Budget is the economic pronouncement of a compassionate government dedicated to equitable standards is clearly the opinion of many.

Minister, the messages delivered by commentators on both sides of the issue are equally vehement and equally sincere. One of your most difficult tasks as Treasurer of Ontario is to act as mediator among these conflicting interest groups. The goal is to dine among practising cannibals without becoming part of the dinner.

On the subject of mediating conflicting interests, I am reminded of a brief conversation which took place in the U.S. during the Depression. Soon after President Hoover initiated a number of major recovery programs, he told former President Coolidge that he did not understand why the results were as yet disappointing and his critics so outspoken. “You cannot expect to see calves running in the field,” said Coolidge, “the day after you put the bull to the cows.” “No,” replied Hoover, “but I would expect to see contented cows!”

Minister, we appreciate your following in the tradition of Ontario Treasurers by using the Canadian and Empire Clubs as the chosen forum to elaborate on your Budget address. We hear your message; and we read your lips! Thank you for your candour. We look forward to your next visit to the Canadian and Empire Clubs.



May 9, 1991

Thomas F. Corcoran

President, The Ontario Chamber of Commerce

BUSINESS & THE NDP: RHETORIC VERSUS REALITY

Introduction: John F. Banks

President, The Empire Club of Canada

Let it never be said that the major news events of our day go unreported. To date, Ontario residents have received analysis of the provincial NDP government's first Budget on many different fronts — the inevitable downward pressure on the Province's credit ratings by the bond-rating services, the increase in foreign market borrowing by Ontario (and Ontario Hydro) and the resultant higher Canadian dollar, the break from the more austere and restrained precedents established by other Canadian provinces, the difficulty of avoiding the deficit treadmill that the Federal Government seems to find itself on, and the impact on Ottawa's plan for reducing inflation.

No doubt all this information and speculation serves some useful purpose in bringing many possible combinations of cause and political effect before the public. In time, the public manages to separate what is relevant from what is background noise.

Our speaker today, Tom Corcoran, is able to help us sift through the almost indiscriminate piling up of details around the relationship between the Ontario New Democrats — who are still experiencing a kind of first-day-of-school delightful unfamiliarity

sitting on the government benches — and the Ontario business community.

An article in Saturday's *The Globe and Mail* neatly outlines the Ontario New Democrats' political strategy, a strategy designed to exploit — what is referred to as — the “politics of the '90s.” Widespread voter dissatisfaction with the old-line parties and a growing demand for politicians who will take strong, principled, distinctive stands on the issues of the day characterize this modern political climate. In 1972, party leader David Lewis lambasted recipients of government subsidies as “corporate welfare bums.” The present party leadership is reviving the language of class politics. Borrowing a chapter from the U.S. text, *The Politics of Rich and Poor* by former Republican analyst Kevin Phillips, the New Democrats routinely attack the “corporate elite” and “big business.” They are critical of advocates who favour “higher profits” and “tax breaks for the rich.” This NDP strategy clearly anticipates a benefit to left-of-centre politicians flowing from the growing resentment of extreme wealth and privilege.

The business community might normally be hostile toward a social democrat government. However, business has a big stake in maintaining cordial ties with the NDP and is monitoring legislative developments closely and asking plenty of questions. Examples of these questions are: Will the way Ontario business does business be very different five years from now as the new government takes steps to realize its goal of building “a consensual, environmentally responsible economic strategy for the 21st century?” In advocating a partnership in the consultation process among “all the forces” in the provincial economy, will the new social democratic government establish a formal tripartite structure of labour, business and government along the lines of the European socialistic model?

Does the government's October 26 approval of the sale of Consumers' Gas to British Gas send a signal to investors, as suggested by the Premier, that “we're ready to do business in the Province?” In describing his ideal of a creative tension between “three realities” — planning, democracy, and markets — does Premier Bob Rae foresee a continuing commitment to market forces such as supply, demand, competition and entrepreneurship? Are the new government's options tightly circumscribed by a provincial economy that has done — what I would call — a “Ninja Turtle” and headed straight down the sewers? Finally, is the new government's spending strategy and economic thinking simply a 1960s version of the Keynesian economic policies that call for government to spend its way out of any problem?

Our speaker today, Tom Corcoran, has **not** been asked to address these specific questions. However, in his twin capacities as a senior officer of IBM Canada and as President of the Ontario Chamber of Commerce, Mr. Corcoran is uniquely positioned to comment on the dynamic between the new NDP government and the business community.

By way of background, Mr. Corcoran has degrees in electrical engineering and business administration from the Universities of Waterloo and Toronto, respectively. He joined IBM in 1969 and has held various marketing management positions with "Big Blue" in Toronto, Kitchener and New York. He is presently Vice-President, Communications and Quality, for IBM Canada. (Mr. Corcoran does not, I am told, share my wistful fantasy which involves altering IBM's ubiquitous THINK signs by adding the words: OR THWIM.) In addition to being President of the Ontario Chamber of Commerce, Mr. Corcoran is active with the National Ballet Company, YMCA Youth Enterprise Centres and Crescent School.

Mr. Corcoran's topic today is Business and the NDP — Rhetoric versus Reality.

Please welcome Tom Corcoran.

Tom Corcoran:

Thank you for that kind introduction and good afternoon ladies and gentlemen. I want to begin by saying that I'm very pleased to have been invited to speak before The Empire Club in my role as President of the Ontario Chamber of Commerce.

It hasn't escaped my attention that over the past 86 years some very famous people have appeared on this podium, including 11 Canadian Prime Ministers, nine British Prime Ministers, a number of U.S. Presidents, David Rockefeller and Billy Graham!

Unfortunately, unlike those speakers, I can't claim to represent government, international capitalism or God! What my organization does represent is 168 Chambers of Commerce and Boards of Trade — 65,000 members across Ontario. Although we include large corporations, most of our member firms are small companies.

While they represent the majority of business enterprises in this great province and have created most of the new jobs

over the past decade, I think it's fair to say that few of them, individually, would ever have a voice in a forum like this.

It's my privilege and my challenge, as President of the Ontario Chamber, to let their voice be heard. And I must say our members have a lot on their minds.

When I started preparing these remarks, I chose an old theme — Business and the NDP government — Rhetoric versus Reality.

This theme has served me well, I've discovered. In fact, the same theme has had a different punch line every month since the NDP government took office!

My thrust is that whether you're looking at a political party, a business association, or even a business, rhetoric is important if you're the head of any of these organizations, but if you're really interested in demonstrating leadership, you have to translate that rhetoric into action.

Well, in the midst of preparing my speech, Ontario Treasurer Floyd Laughren released the government's budget. And in the week and a half since, the province has been awash in rhetoric from every conceivable source.

If there's one sector that's definitely recession proof it is our political commentators, who've been working non-stop since April 29, providing their own "spin" to the Treasurer's message.

What, you may ask, can anyone possibly add to all that has been said these past few days?

I suppose I should announce that — 10 days later — we are still very unhappy with the budget. In fact, let me give you a sample of the language that our members used at a board meeting in Windsor:

"I'm angry — outraged!"

"Is this government connected with the real world?"

"Has business become the agent of social change in this province?"

"It's clear that this government is anti-business."

“This government is determined to implement its agenda — in spite of affordability.”

By the way, all of those comments came **before** the budget was announced. Whether any of these emotional statements are well-founded or not doesn't much matter. This is the language being used and these are the perceptions of the business community across the province. I expect it may be the language used in many of your organizations too.

Quite frankly, I don't see much sense in dwelling on the budget any more. Any business leader can score points with his own constituents by restating obvious grievances. So, for that matter, can any labour leader or politician.

And quotable quotes and pithy zingers are a great way to make the papers or crack the airways. But this approach, it seems to me, isn't very constructive.

More to the point, it delays the process of two- or three-way discussion that is so desperately needed if business, government and labour are ever to come to some sort of understanding about the nature and magnitude of the competitive problems currently facing this province.

So, for the next few minutes, I'll attempt to get behind the rhetoric and sloganeering of the past few weeks. I'll suggest that the path is still open for co-operation between business and the government, but that what's urgently needed to make this a reality is a new consultative process that replaces confrontation with consensus.

I want to begin by giving you a fuller sense of where I come from as a representative of the Chamber. The Chamber is a broad-based non-partisan organization.

As I said, we have 65,000 members in cities and towns from Ear Falls to Metro Toronto. And we've been around a long time — in fact, 1991 marks our 80th anniversary.

Our activities are volunteer-driven. People participate in the Chamber movement because they want to make a difference — in their community — across the province. Because

of the broad business base I mentioned, we reflect a mosaic of views and no “one” view when it comes to most issues. And that’s to be expected of an organization that represents businesses from all sectors, sizes and nationalities.

If you asked our members what we exist to do, they might tell you that the Ontario Chamber is an opportunity to pay “civic rent.” On a less lofty note, they’d probably add that the Chamber also provides an opportunity for:

1. Networking
2. Education on topics of interest
3. Access to government

On that last point, I would argue that the Chamber is the most effective pipeline a provincial government could want in terms of two-way discussion with Ontario business. I say that because we are actively outbound to our membership. We work to help explain government policy and plans. This happens best at the implementation stage. And on the inbound side of the equation, we have the ability to provide province-wide reaction to government plans at the planning stage.

The Chamber does have a mission — “to be the recognized voice of business, committed to economic prosperity in Ontario” — and I would add an Ontario that is part of a Canada that may have a different distribution of federal-provincial powers, but one that definitely stretches non-stop from sea to sea to sea.

Now that’s our rhetoric!

And our theme for the ’90s is — “building a better tomorrow” — hardly a concept that would spark heated debate. But we do have a more specific agenda consisting of four points:

First, the creation of an environmental legacy we can proudly hand to our children. And we’ve initiated a number of targeted activities to help bring this about. For example, we’ve created an environmental starter kit that can be used by any local Chamber to launch a local initiative.

This may seem trivial to a Toronto audience, but, I can assure you, it has real value to smaller communities and companies. Thirty-six committees have been spawned province-wide looking at various areas of environmental concern. We publish a newsletter, Environews, in an effort to build awareness and share ideas. This newsletter gives practical "how to do it" advice. It features local communities that we hold up as models to be emulated.

To give you just one local example, we all take pride in the Cobourg Chamber of Commerce who, through support of an environmental youth corps, raised the profile of the Blue Box recycling program and introduced a composting program in their community.

Our second point is international competitiveness. Here we developed an export seminar with the Ministry of Industry, Trade and Technology (MITT) that provides any community with a road map to pick businesses that stand a good chance of being successful in the international market. If you've got what it takes, the seminar aims you at appropriate provincial government offices here and abroad.

The Sault Ste. Marie Chamber of Commerce ran this seminar not long ago as part of the effort to strengthen and diversify the economic base of the community.

We manage the Taiwan business office on behalf of the MITT. And on-going discussions with appropriate ministries regarding the impact of government activity on the business climate within the province.

Our third point is the creation of a world-class competitive work force. And here our activities have included co-sponsoring a number of programs with the Ontario government such as the annual employer equity awards and a student venture capital program. Our members serve on the Ministry of Education's Learning Programs Advisory Committee, helping shape curriculum not just for higher education and apprenticeship programs, but for the graduating class of 2001 who are in elementary school today.

Our fourth point is the need for a sturdy infrastructure. Infrastructure is part of the competitive equation and recognizes that we must maintain a first-class transportation system and access to a reliable, available and affordable supply of energy if we are to maintain our standard of living. And here we've undertaken studies and brought forth findings on everything from four-laning the Trans Canada Highway to the need for energy planning to avoid shortfalls in the early part of the 21st century.

So those are our realities — no headlines, just hard work, real work.

Now let's shift attention to our NDP government. When he was elected, Premier Bob Rae promised, and I quote, a "method of consultation and means of consultation that's more extensive, more comprehensive, than any of our predecessors."

The reality, or at least the business perception, is that decisions have been made, and are in the process of being made, without any consultation whatsoever. Consultation appears to mean: "We've decided what's best and now we're telling you what we've decided."

Examples include the workers' protection fund, which reportedly will mandate a payment of up to \$5,000 per worker if a firm ceases doing business. If this program is funded by a payroll tax, this would harm businesses who never expect to leave and could lead to the earlier closure of firms in trouble. On the other hand, can we really afford to pay for this fund out of general revenues?

And the proposal to extend officers' and directors' liability simply suggests a fundamental lack of business understanding. In fact, at a recent Chamber board meeting, one of our members wondered if organized labour is now using the legislative process to gain concessions that bargaining wouldn't give them. This is a harsh observation, but one that won't go unnoticed by those looking at Ontario as a place to invest.

The bottom line is that while we Canadians certainly prefer the balance between public sector and the market

economy tipped the way it is as compared to our U.S. neighbours, we certainly don't want to be tipped over and go out of business because of further layers of taxation, regulation, control and bureaucracy.

The key question our members are asking is whether or not this government has any notion of how much public sector activity we can absorb before it overruns the ability of our market economy to support it?

Let's start with taxes.

Tax is a topic like weather that everybody discusses but we all feel helpless to do anything about. Let me put it in perspective by referencing a real Ontario small business — a florist in a small town. "Something's wrong when I spend more time answering government questions and filling in forms than I do selling flowers," is his view.

If a small business in Ontario is profitable it pays four municipal taxes, 11 provincial taxes including a tire tax and the GTA if they're located in Metro, and seven federal taxes, including an unharmonized PST and GST. So while we may not be the most taxed people in the world — yet (I think Sweden still has that dubious honour) — we probably have the most layers of taxation in the world with each layer creating its own set of time-consuming paperwork.

Our recommendations to this government were that they do nothing to increase the tax burden and find ways to simplify the tax structure to reduce the paperwork burden. Instead we got an increase in fuel tax and some of the assistance targeted at small business taken away! Looking at the overall thrust of this government one wonders if we're moving more and more towards central planning and authority. The irony is that this comes at a time when private business is trying to become decentralized and customer-driven.

The reason business is moving towards decentralization is to speed up the decision-making process, empowering front-line employees. This approach keeps us in close touch with our customers and allows us to meet their needs. It seems to me that government, no less than business, should have a

genuine interest in meeting customer needs. If we're customer-driven, they should be citizen-driven, and I mean all citizens.

This new government shouldn't leave us with the impression that, having waited so long to assume political leadership in the province, they'll try to quickly solve every social issue on the horizon. To do this without any regard for affordability or long-term accountability is not only bad policy, it's poor politics.

And what's being offered, particularly deficit spending and central planning, seem out of touch with 1990s economic realities. At a minimum, let's get federal and provincial fiscal strategies aligned.

As I said, business today is casting aside the centralized model and opening up to employee empowerment and customer input. I believe we, in business, have some insight that has value, but we sometimes can't help but wonder if anyone within the government is really all that interested in listening.

I was certainly wondering that a few weeks ago as were some fellow business groups, including the Canadian Manufacturers' Association and the Retail Council of Canada.

We met with Premier Bob Rae on April 26 to discuss the consultative process. Now you may already be skeptical about a meeting like this, considering the budget that emerged a few days later. But we weren't in there to change any minds on the current budget. That document, we knew, was already formulated.

We were attempting to make the Premier aware of our level of frustration and to offer to work with him to build a consultative model that could work to everyone's benefit. We argued that the government's current approach of soliciting broad input, withdrawing to the political backrooms and then unveiling a fully hatched idea that pleases no one, had to change.

This approach has a built-in tendency to have broad, vague goals and solutions that, in trying to satisfy everyone, satisfy no one.

We proposed a model that would have a narrow and specific scope — a specific deadline and a reasonable schedule that takes into account that private sector members have businesses to run. The model includes a limited number of people representing major stakeholders. Each person around the table would have the responsibility to reflect the opinions of his or her community.

In addition, they'd have the responsibility to keep these same communities advised on progress. The stakeholders themselves would be empowered to make trade-offs, design the solutions and even play a role in implementation. This is called buying in along the way, not complaining after the fact. We even suggested that this model be applied to a limited number of topics that are already in the "consultative process."

1. Environmental Bill of Rights
2. Law of Standing
3. Labour Code Amendments

We also recommended that government and members of the private sector attend a conference where the focus would totally be on process — where we could talk about what each of us is trying to achieve and what we think the major obstacles are.

For example, we might well discover that when business talks about improving the quality of graduates from the education system and our new government talks about education equity, that the root cause of both problems might be traced to early education where students are influenced for the rest of their lives.

I'm pleased to report that the Premier seemed genuinely interested in this approach and indicated he would give it some personal attention. And I'm even more pleased that I later got a phone call from the Deputy Environment Minister's office asking me to meet with him regarding the consultative process and the proposed Environmental Bill of Rights.

We met yesterday morning, had a good exchange of opinions, and agreed to pursue the idea further. It is a small step but a significant one. The real test will be on follow through over the next few weeks. But this is exactly what we need — small but significant steps that begin to bridge the gap between this government and the private sector.

Bridging the gap will take work — real commitment on the part of business. We all have to move beyond simply expressing displeasure with policies and work to educate the public regarding what being in business is really like. My challenge to those of you in the private sector is to talk in honest terms about the competitiveness issue with your employees.

This shouldn't be an exercise in sabre rattling but a "facts of life" view of how a business makes money in a tough global competitive marketplace, how a business pays taxes, how a business contributes to economic well-being, how business makes a social-infrastructure possible and sustainable.

After the budget presentation, Treasurer Laughren told Opposition Members of the Provincial Legislature that they need not fear that business will be driven from Ontario because "companies locate here for the quality of life."

The simple truth is that without a vibrant private sector there is no lasting job creation and, without job creation, we won't have the revenue to fund the quality of life that we take for granted.

I would caution the new NDP government that the business community negotiates and debates in ways that are different than they are perhaps accustomed to. When an issue surfaces, there will be initial reaction from the business community, perhaps directly, perhaps through an association. At some point, however, the business person stops debating and determines how to deal with the realities of the situation. We don't stop paying taxes, we don't stop paying employees health benefits, we figure out how to work with the realities.

Working with the realities may mean restructuring, finding new markets or new products. It simply may mean cutting

back operations or leaving altogether. You'll know when some companies scale down operations or leave. If they are big enough, it'll make the papers. In most cases you'll never even know it's happening until it's reflected in the tragic figures of job losses or corporate relocations out of province. This is reality.

I am President of the Ontario Chamber of Commerce. We, by definition, represent businesses that are located within the province. That is our reality. That's our responsibility.

And our members stand ready to help this province grow and prosper.

I honestly believe the NDP has a historic opportunity to break with past convention and build a truly broad-based consensus for economic recovery. The Chamber welcomes partnership, if it's equitable, because it would be in everyone's best interest.

The NDP's victory in 1990 was not, in my opinion, an ideological one. It stemmed from a sense of frustration and even anger at "politics as usual." I would suggest that it's time for all of us to practise the "politics of the unusual" by engaging in co-operation rather than confrontation. Our shared goal should be to get on with the task of making Ontario a better place for our children and grandchildren.

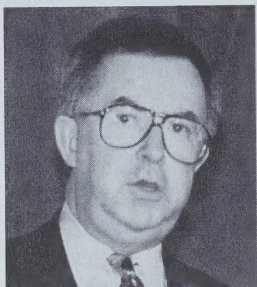
As I said at the outset, the Chamber has a vision for the 1990s of "building a better tomorrow." And by that we mean a better tomorrow for all Ontario residents not simply those engaged in business.

I think we all agree that there is much to be done in this province. We need to improve the environment, to educate and train our young people, to ensure economic security and to improve the overall quality of life.

And business can be a powerful ally in all of these efforts. What is needed from this government is commitment to partnership and to a consultative process that recognizes that a vibrant private sector is the key to getting our economy back on track.

Thank you very much.

The appreciation of the meeting was expressed by John Freyseng, Partner, Blaney, McMurtry, Stapells, and a Director, The Empire Club of Canada.



June 27, 1991

A joint meeting of The
Empire Club of Canada and
The Royal Commonwealth
Society

The Rt. Hon. Joe Clark

President of the Privy Council and Minister of
Constitutional Affairs

CANADA: FACING THE FUTURE

Introduction: John F. Bankes

President, The Empire Club of Canada

John Stuart Mill called it: "A means of assuring that depositories of power cannot misemploy it."

Justice Felix Frankfurter of the U.S. Supreme Court called it: "A way of ordering society."

Wilhelm I called it: "A scrap of paper."

A nation's constitution means different things to different people. This year, Canadians celebrate the 200th anniversary of the Constitutional Act of 1791 — which created Upper Canada and Lower Canada from the old Province of Quebec — and the 124th anniversary of Confederation. Canada's Confederation in 1867, described by Northrop Frye as a "romantic and imperialistic idea, consolidating into a nation a group of British-controlled colonies and territories," has been a pivot around which our history has turned. It has been at the heart of political controversy since our birth as a nation.

As Gordon Fraser pointed out recently in *The Globe and Mail*: "The...seemingly endless series of previous deals, accords and agreements sometimes makes the [Canadian Constitutional] debate as arcane and seemingly irrelevant as Old Testament genealogy (...and Fulton-Favreau begat the Conference for Tomorrow, which

begat Victoria, which begat Vancouver, which begat patriation, which begat Sept-Isles, which begat Meech Lake, which begat...)"

For just over a year now, efforts to reform Canada's Constitution have been at a virtual impasse. Last June, Canada came within a hair's breadth of achieving a rendezvous with its unity before running into turbulent water. On the first anniversary of the Meech Lake Accord's demise, one journalist recently reflected back on the events of last summer and pointed out that two political leaders offered the same metaphor to characterize entirely different events. In July, the Emir of Kuwait claimed that threats from Iraq against Kuwait were just a summer cloud passing over the sun. In June, Newfoundland Premier Clyde Wells said a rejection of Meech Lake would cause nothing more than a summer thunderstorm of discontent within Quebec. Some cloud, some storm!

There is an old seaman's saying that "skilful pilots gain their reputations from storms and tempests." Our speaker today, The Right Honourable Joe Clark, has taken on the difficult task of trying to chart Canada's constitutional direction through choppy seas. After serving as Secretary of State for External Affairs — dealing with the Gulf War, South Africa, and the upheaval in Eastern Europe — he was looking for a really **tough** challenge. Prime Minister Mulroney concluded that if Mr. Clark could get along with governments all over the world, regardless of ideology, he might just have a chance at working out something with all of Canada's provinces and territories and Aboriginal peoples.

Mr. Clark brings considerable experience as a negotiator to his new assignment as Minister of Constitutional Affairs. The unique nature of his responsibilities — as a kind of grand arbiter of intergovernmental diplomacy and a champion of national unity — is apparent from the job title itself. Other than Canada, I can't find a country anywhere in the world that even **has** a Minister of Constitutional Affairs. It reminds me of the Red Rose Tea commercial; "Only in Canada, you say?"

No one denies the importance of the job which Mr. Clark has undertaken. Given the circumstances which surround the issue, formulating constitutional reforms and winning their acceptance across the country has to be considered an urgent priority. This is the view of those who feel constitutional reform is an essential prerequisite for continued nation-building, and others who see it as a hurdle which has to be passed so we can deal with other issues which should be commanding our attention.

Presently, the country's constitutional nerves appear frayed. Fortunately, the medicine chest is full of purported remedies to cure Canada's constitutional problem. The prescriptions available to Mr.

Clark and his team are numerous and complex; the challenge is to select the right course of action. To borrow a quotation from my favourite Hebrew prophet, Woody Allen:

More than anytime in history, [we] face a crossroads.
One path leads to despair and utter helplessness, the
other to total extinction. Let us pray that we have the
wisdom to choose correctly.

This constitutional challenge is a task to which our speaker today brings impressive credentials. Only the third person in history to have served both as Canada's Prime Minister and its Minister of External Affairs, Mr. Clark has spent virtually a lifetime in politics. Indeed, he was a leading force in the Conservative Party as far back as the mid-1960s, as President of the Young Progressive Conservatives. His survival on the battlefield of internal party politics has prepared him well for the risks of managing Canada's foreign affairs, and his achievements on that front have conditioned him for his current challenge. Like all of you, I look forward to hearing more about how he intends to meet it.

Please welcome The Right Honourable Joe Clark.

Joe Clark:

For six and a half years, I had the honour of representing this country abroad. During that time, I witnessed the positive and productive work Canadians do in this world, the unique values we bring to global affairs. And I saw the international changes which challenge all of us, changes we can't ignore, challenges we must meet.

That experience was exciting and a privilege for me. But the obligation and the opportunity to be here was even more compelling. For now is the time to be at home, to try and help heal the wounds which divide this country, to help find a new covenant by which Canada can continue.

I am under no illusions about the difficulties this country faces. And I have no pretensions about my part in the process which lies ahead. It is Canadians themselves who will decide whether they wish to keep their country. No minister, no party, no government will decide that for them. This country cannot be ordered together; it must be brought together. And bringing this country together is a job now for each and every one of us, from coast to coast to coast.

Our country will be held together only by will. Constitutions do not make countries; they reflect what those countries are. Constitutions do not create consensus; they report a consensus which exists. We do not have that consensus yet.

And so, I approach this job with humility and trepidation. But I also bring to it a profound optimism that the spirit which has carried Canada for generations is still here. It is a spirit which both dares and cares. It is a spirit which caused people to come to Canada from every corner of the globe — the English, the French, the men in sheepskin coats, the boat people. It is a spirit which prompted Barbara Ward to call Canada “the first international country.” It is a spirit that led Canadians to build a country together where rich provinces help poor provinces, where people help their neighbours, where health care is a right and not a privilege and where the proud boast of our Armed Forces is that we are the best peacekeepers in the world.

When I talk to people across the country — in the North and South and East and West — I see that spirit growing again now. Our job together is to strengthen that spirit and to build a common sense of Canadian citizenship, which reflects that respect for difference which has characterized Canada since the decision, more than 200 years ago to maintain both the French and English languages, both the civil and common law systems.

The Cabinet committee I chair is preparing detailed proposals for the renewal of our Confederation. They will be published in the fall when we will start a broad public process to encourage every Canadian to discuss those proposals and to improve them.

Let us be clear. This remarkable country is at risk. This is not a game of chicken or some scam being run by any province or any region of this country. This is not another hiccup in our long history of difference and division. This crisis is real. And this crisis can be fatal.

When 70 per cent of Quebecers tell a pollster that they expect their province will separate from Canada, that is a prediction, not a bluff. And when 55 per cent of Canadians outside Quebec say that if Quebecers want to separate, "Let them go," that is a sober warning of angry attitudes.

This country is at the crossroads. There are two paths before us. One path leads to renewal. The other path leads to partition. That choice is straightforward. And that choice is ours.

Will we make the right choice? Will we do what is necessary to keep this country? Time will tell. But time is short. We must use this time well and wisely.

First, let us be rid of any complacency that all will be well in the end because Canada has stayed together in the past, that this storm is just a squall and that sunny days are just around the corner.

Don't take Canada for granted. Our success is not automatic. Earlier Canadians fought the odds to keep Canada together. We have fought the elements, fought geography, fought the always present pressure on the diverse regions of this country to go their own way. Canada has stayed together because Canadians have made it stay together. And Canada will only continue in the future if Canadians want it to and make the difficult decisions that national unity requires.

In the past two months, I have talked to people everywhere in this land and Canadians are beginning to turn from accusation to consideration, from condemnation to deliberation. They know this country is at risk and they want it to work.

But that process is only just beginning. The gentler wind beginning to blow is tentative. The wounds that have hurt this country remain, and in places they are deep. If Canadians are beginning to reject a corrosive complacency, that is positive, but it may not be permanent. It is up to us to build on that new attitude.

There is a second attitude we must also work to change. That is the attitude that anything which challenges the existing order is bad.

One of the virtues of this country — one of the reasons we have succeeded so well — is our capacity to adapt. When new provinces entered Confederation, new arrangements were made and Confederation changed. When those provinces grew in size and nature, new arrangements were made and Confederation changed. And when Canadian society progressed, and wanted pensions or medicare, new arrangements were made and Confederation changed. That has been our heritage, our foundation for success. In it lies our future.

We can never see existing arrangements as permanent arrangements. If we do, we will be through. If we don't change with the rhythm of this country, Canada will become brittle and break. Countries that stand still are countries that fall behind. The whole world is changing and adapting and competing. What will this country become if we remain rigid or let our differences break us?

Some people cringe from crisis. We cannot do that now. And we should not do that either — because I believe from the bottom of my being that these times of trouble can be times of opportunity too. We have the opportunity to change our institutions and the way they work. We have the opportunity to revise the apportionment of powers in this country, to make it more efficient and effective. We have the opportunity to remake our country in our own image as a modern people.

Are Canadians happy with our political system and the way it works? Clearly not. Let's change it together and make it better.

Do people believe that the provinces and the Federal Government are doing the right things in the right way for the people of this country? Clearly not. Let's change that together and make it better.

Are Canadians happy with the attitude and the treatment shown for decades and centuries to the aboriginal peoples of

this country? Clearly not. Let's change that together and make it better.

And are Canadians satisfied that our Senate is one of the only second chambers in the world which is not an effective part of Parliament? Clearly not. Let's change that together and make it better.

This can be an historic opportunity. Not many countries have it. But we have it now.

I believe our chances are better than they might be if only one issue were on the table. All issues are on the table now — not just the place of Quebec in this country, but also the concerns of Westerners and Easterners and aboriginal Canadians, the concerns of all citizens who wish to see a new deal for ourselves and our neighbours. More issues may mean more difficulty. But the very fact that we must make progress on several fronts together — and do it in the open, knowing the consequences of failure — will increase our chance of success. The need for trade-offs and compromise and bargaining in good faith will be upfront and obvious. It will force every serious Canadian to face the hard choices ourselves.

There is an old phrase which says that where there is a will, there is a way. That applies to our lives. It applies to our country. What Canada needs now are not ways to move forward, so much as the will to move forward.

Finding that will is not going to be easy. Part of that search will depend on looking hard at how we see the diverse parts of this country and adapting those views to what this modern country has become, in this last decade of the 20th century.

Let me provide one example. In the 1980 referendum in Quebec, the key question asked by individual Quebecers was: "Why should I **leave** Canada?" But today, across that province, the more common question is: "Why should I **stay** in Canada?"

That shows how much Quebec has changed. Much of that is exciting and positive. It is the assertion of confidence and

pride. It is the reality that in so many walks of life, Quebec is not just distinct, but distinguished.

Whether it is in business or the arts or the professions, the Quebec achievement is undeniable. The films of Quebec win Academy Awards. The authors of Quebec win the premier international literary prizes. The artists and architects and musicians of Quebec fill not only their province with excellence, but the world as well. And in business, Quebec companies have become major corporate players, not just in Canada, but throughout this continent and around the globe.

In a Canadian society which wants to be world-class, Quebec stands out.

Today, Quebecers who want Canada want a strong Quebec — but they want a strong Canada too. Part of their concern is that their large country does not have the same sense of confidence and community that Quebec has. Part of the challenge for all of us is to achieve in the whole of Canada the kind of transformation that was triggered in Quebec by the Quiet Revolution.

Quebec, in the 1950s, looked inward and backward. Today, it is confident of its place in the world, to the point where large numbers of Quebecers contemplate competing in that world on their own, apart from Canada. That change in Quebec has been fundamentally a change in attitude and pride. In fact, it is hard to think of another society, in recent history, that has made such a remarkable transformation in such a short time. Other Canadians have little to fear from Quebec's nationalism but we have a lot to learn. Our challenge is not to deny the self-confidence of Quebec, but to demonstrate that it can be fully expressed within Canada. And our challenge as well, if we are lucky and skilful, is to make that confidence contagious, so that every Canadian feels the pride in Canada that Quebecers feel in Quebec.

Sometimes it seems to me that the issue is not Quebec separating from Canada, but the rest of Canada separating from each other and from our own modern reality.

Part of the explanation is that we do not realize what we have become. We have based our assumptions about Canada on facts which have changed. Our country has changed, but our vision of it hasn't and often our institutions haven't either.

There are many examples. Too many Canadians still consider our society to be a white society drawn from immigrants from Europe or the United States. But for 13 years, Canada has drawn more new citizens from Asia than from Europe and that is reflected in the daily life of most of our communities. Yet there are only two people from visible minorities in the House of Commons and an embarrassingly low percentage in positions of leadership and government. We are beginning to do better at that, but we are still running a diverse society on assumptions that time has passed by.

And we look at the different parts of this country with antiquated optics. For too many Canadians, Maritimers fish, Westerners farm, Northerners mine and Central Canadians work for a bank. Most of that has changed and so must our myths. We Canadians have lost sight of each other. And in so doing, we risk losing our country.

What Canadians need to do now is to talk to each other, not at each other or past each other. We need to get to know our neighbours in this land, for their neighbourhoods have changed and their needs have evolved. There are people in the West who deride Quebec and its desires without ever having stepped inside its borders and seen the vitality and the vision of that Distinct Society. There are people in Ontario who dismiss the grievances of Western Canadians without ever having wandered west of Manitoba.

It is a sad fact that there are Canadians who know Gettysburg without knowing Louisbourg, who know the palaces of Europe better than the places of Canada, who can tell you more about Florida than they can about Fredericton or the Fraser Valley or the foothills of Alberta.

It is one thing to disagree. It is another thing to assert disagreement when you haven't even met the people you say you disagree with.

There are alternatives. We should try them. One alternative was tried a couple of months ago by the people of Wainwright in my province of Alberta. That town welcomed a small group of French-Canadians from Marievalle, Quebec. It was a return visit, an exchange. Almost no one from Wainwright had spent time in Quebec, and few of the visitors from Marievalle were familiar with the West. And, like most Canadians, they had some difficulty with each other's language. But they talked, in small sentences and small words. They had never talked to each other before. They had never known each other's neighbourhood. They only knew the myths, the pictures others had drawn and told them to accept. They were surprised to find people — people like themselves with problems, often similar; people like themselves with dreams, many shared; Canadians with perspectives and opinions, some common, some different. That dialogue will not save this country. But the idea behind it will. For when we start talking and listening and seeing, this country looks different and better, and what separates us matters less.

I remember meeting outside Parliament last month with students from across Canada attending the Forum for Young Canadians. One young man from Montreal came to me and said: "Last week, I was a separatist but that was because I had never met anyone from the rest of Canada. I am not a separatist now."

Too many of us have not met people from the rest of Canada. We see each other through filters that are often false. We keep our distance. We keep our counsel. We shouldn't.

People everywhere must work hard at understanding why other Canadians have priorities and preferences different from our own. Quebecers need to understand why Western Canadians feel that institutions like the Senate must be changed fundamentally. Western Canadians need to under-

stand why Quebecers know they live in a Distinct Society. Central Canadians must gain some sense of the alienation that is still second nature to people growing up in the far parts of the country. And those of us whose ancestors came to Canada from somewhere else must try to understand that aboriginal claims are as much about respect as they are about money.

I believe we can do that. That will take luck and energy and imagination and above all goodwill. But Canadians everywhere are beginning to reach out and reach beyond the old attitudes, the old myths.

As part of that process, Canadians today want to base their decision on the future of their country on evidence and not ideology. They want to know what staying together will give them. They want to know what splitting up would leave.

I prefer to make the case for Canada, but we need to look hard at the implications of partitioning this country. Canada was not put together by accountants. This country is not some corporate convenience. And you cannot persuade any Canadian — in Quebec, in Alberta, in Ontario or anywhere else — to keep Canada together simply because some balance sheet says we should. But neither should Canadians assume that the modern economy we have built together would stay as strong if we came apart. And no one should deny that the consequences of partition would be serious for people outside Quebec, and inside Quebec.

We are living in a world of megamarkets, not minimarkets. A world where countries are coming together and tearing down barriers between them because they know that being bigger means being better.

The countries of Europe know that. Many of them are more powerful than Canada and are moving to a type of federation which Canada has enjoyed for over 100 years. The people of Asia know that and countries and companies there are integrating through trade and investment as never before. The people of Latin America know that where Brazil and Argentina are discussing free trade, where the countries of

the Andes mountains are moving to integrate their economies and where Mexico is pursuing prosperity by talking free trade with Canada and the United States.

Are all those people wrong? Perhaps they are. Perhaps they are wrong to think that bigger markets and stronger regions mean more prosperity. But if they are right, we have to consider the cost to all of us of having this country turn inward and come apart when the rest of the world is reaching outward and coming together.

Can this country do more to preserve and promote our prosperity? Of course we can. And we must, in this new competitive global market. But we do not promote the prosperity of anyone by splitting this country into pieces.

There are people in every part of Canada who pretend that partition could be easy. They suggest we could come apart politically and come together economically. We could disunite and unite at the same time. We could tear up our common passport and retain our common market. Well, nothing is impossible. But surely, that cannot be taken for granted. If this country divorces, no one should believe that remarriage would come soon or smoothly. And no one should underestimate the psychological forces which can take hold in a time of tremendous trauma and change.

Ask the Germans if they knew before hand the cost and the consequences which unification has brought to that country. Ask them if they knew about the extremism and the emotion which have permeated that society since the Berlin Wall came down. Ask them if, with all their reason and all their studies and all their plans, they were able to predict the extraordinary shockwave of economic change and social stress which has descended. Germany — that powerful country with its strong history and strong culture — has been shaken to the core. Can we in Canada be confident that the disunion of this country would proceed more predictably than union has there?

And while we think about that, let's also think about how we are doing with those things that will matter for our prosperity and well-being in the future.

How are we competing with others, like Japan and the United States, which are far larger than we are and depend on trade less than half as much as Canada?

How are we doing with education, when over half the new jobs of this decade will require more than 12 years of education and training, and yet over 60 per cent of today's work force have not gone beyond high school?

How are we doing with productivity, the primary force for prosperity, when that growth rate over the past five years in the commercial sector has been the lowest of any country in the G-7?

And are we on the leading edge of innovation when in virtually every single industrial sector, Canada spends far less on R&D than any of the leading industrial countries?

While we are fixated on the Constitution and re-fighting old battles, our competition is focused on the future and preparing to fight the new battles of the next century. Whatever differences we have had in the past, surely our advantage now is to be together.

Renewing the Canadian federation is not an end in itself. This is not some seminar in constitutional law. This is a tale of a people and the values they share, a tale of diversity and the unity diversity can build, a tale of hope, hope against the odds and hope for the future, a tale of prosperity and peace unlike any that I know.

Joseph Howe, Nova Scotia's great statesman, used to say: "Brag about your country, boys." Well, Canadians don't much like to brag. But others know what we should brag about.

I remember meeting with a man named Danylo Shumuk — a Ukrainian nationalist who had spent most of his life in a Soviet prison. When he was finally free and came to this country on his way to relatives in British Columbia, he stopped in Ottawa and, one quiet day, I took him into the House of Commons, had him sit in the Speaker's Chair of our

free Parliament, and then pointed out where the Leader of the Opposition and the Prime Minister sat. Through his interpreter, he said: "I know where the Prime Minister sits. He sits next to Mr. Mazankowski." I asked him how in the world he knew that, and he told me that, through his years in a Soviet prison, his relatives in Canada told him of the progress, in this country, of people with names like Mazankowski, and Hnatyshyn. In some systems, if you are a member of a minority, you go to prison. In Canada, you become Deputy Prime Minister, the Governor-General, a Justice of the highest court.

Danylo Shumuk knew what Canada has to brag about. The rest of the world knows that too. When the Japanese want to learn about peacekeeping, they come to Canada to see how we do it. When the brave democrats of the new Eastern Europe want to find out about banks or stock markets or privatization or legal systems, they come to Canada. When the Americans want to make their health system more effective and efficient, they come to Canada. When Mikhail Gorbachev was Minister of Agriculture in the Soviet Union and wanted to know how efficient farms worked, he came to Canada. And when South Africans — black and white — want to learn about elections that are fair, legal systems that are just, and a modern economy that works, they come to Canada.

Are those people all wrong? Are we as ordinary or as common or as disposable as some would have us believe? Have we not built something here which is special and deserves to be sustained?

I believe we have. And I am confident that most Canadians believe that too.

There will always be those who see Canada as a glass that's half empty. Our challenge today is to get the whole country to see it as a glass that's half full. And once we do that, to go on to fill it — as we have in the past, a country whose cup has runneth over, a country which has what so few others can even dream of, a community which is the best community in this world.

The rest of you can speak for yourselves. But my grandfather went West from Bruce County to be part of a big country, not a small one. My daughter is growing up in a wide world, not a narrow one. Our ancestors came here to build new dreams, not to have those dreams tossed aside. And the tens of thousands of men and women who have given their lives abroad for Canada did not die for the pieces of a country. They fought for a country which is whole. And they fought for a country with a future.

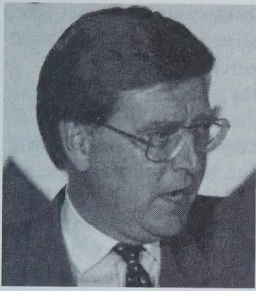
That is what we are here to do.

The appreciation of the meeting was expressed by George Hanson, President, The Royal Commonwealth Society.

Mr. Chairman, distinguished head table guests, members of The Empire Club of Canada, members of The Royal Commonwealth Society — Toronto branch — and friends. It is my pleasure to thank The Rt. Hon. Joe Clark, Minister of Constitutional Affairs, on behalf of The Empire Club of Canada and The Royal Commonwealth Society for taking the time to be with us today. His words today are vital and encouraging, outlining the many ramifications of constitutional change. The minister's job is a mammoth task, but Joe Clark is not an ordinary individual. He is a fighter with a positive attitude and outlook and must succeed in the discharge of his responsibilities. Our Commonwealth traditions of consultation, co-operation and consensus stand as a beacon to unite us. We have a great country and believe in the importance of a united Canada as a leader in the Commonwealth and in world affairs. In closing, Mr Minister, we thank you for bringing us up to date and for sharing your views on the need for Canada's unity. Your words were most informative and very much appreciated. Before leaving this lectern, I would like to assure you that those assembled in this room are all loyal Canadians who support your heavy responsibilities to endeavour to make Canada whole again as a dynamic, tolerant, united country. Finally, I would like to quote from a great Canadian, Stephen Leacock, in his 1937 essay *Our Heritage of Liberty*.

Seeking the basis of nationhood and failing to find it in race, religion, language or territory, he concluded that "the real bond of union, the underlying bedrock on which the structure of a nation rests, is the willingness to unite the unity of the heart that takes the opportunity that is given".

Mr. Minister, we wish you well in the carrying out of your responsibilities, we wish you every success.



September 12, 1991

The Hon. Tom Hockin

Minister of State (Small Businesses and Tourism)

AFTER THE RECESSION: STRATEGIES FOR THE '90S

Introduction: John F. Bankes

President, The Empire Club of Canada

Welcome to the first luncheon meeting of The Empire Club fall season. I admire those who turned out for this meeting, having overcome the inconvenience and difficulties resulting from the public transit strike. On the other hand, the federal public servants' strike has made it significantly more difficult for those wanting to leave the City of Toronto to do so.

A great deal has happened globally since the last time we got together. A relatively quiet summer suddenly erupted. For four days, we were riveted to CNN trying to keep up with changing events in the Soviet Union. It was a made-for-TV revolution, just the right length for a mini-series — four days and an epilogue. And three weeks later, we're still trying to keep up with developments in the USSR. Few of history's cataclysmic events have occurred with more dramatic swiftness.

In Canada, we experienced a quieter summer than last year; that is, until things erupted on the labour front. While the global arena was dominated by the death rattle and demise of communism, most Canadians seemed preoccupied with the American League pennant race and the somewhat uneven performance of our Blue Jays.

There was no connection between the two, except the fact that, in both the Kremlin and the SkyDome, the lefties couldn't get anybody out!

Just under the surface, many other issues were bubbling back to the surface, in both the constitutional and economic fields.

The next few months will be an interesting and important period for Canada. Not only will we be charting our future as a nation, we will be charting our economic future as well. No one expects these processes to be easy. Nor is the outcome certain. In the words of the Hollywood legend Samuel Goldwyn: "I never make predictions, especially about the future."

But some looking ahead will be necessary. Apparently, Canada has emerged from recession. So says Finance Minister Don Mazankowski. Emerging from a recession — and hopefully not taking a double-dip — Canadians will find ourselves directly confronted by the question of how we intend to compete in the 1990s and beyond.

Our speaker today, the Honourable Tom Hockin, will be playing an important role in these deliberations. As Minister of State for Small Business and Tourism, Mr. Hockin is responsible for a vital sector of the Canadian economy. About 80 per cent of Canada's net job growth originates in the small business sector.

But the role of the Minister of State for Small Business and Tourism will cover more than that immediate responsibility. One thing we are finding evidence of repeatedly is that, in our interdependent economy, no sector is an island. This is probably truer of small business than any other segment of the economy. All of the economic issues we read about every day, from public sector labour disputes to free trade with Mexico, impact on the well-being of small business. And the state of small business impacts on the overall future of the Canadian economy.

To some, the combination of economic problems and the national unity angst has left the impression that Canada is coming apart at the seams. Warring factions pointing accusatory fingers at others only fan the flames and add to the distemper of our times. One question that seems to surface continually is how well we Canadians will work together, as partners, to promote solutions to these problems.

We can see the importance of that in relations between labour and management, business and government, the Federal Government and the provinces, and among the provinces themselves.

With fresh evidence of economic change emerging just about every day, the natural temptation is for each of the players to blame

each other. We would do well to heed the words of Henry Ford I: "Don't find fault. Find a remedy."

The Federal Government's effort to find a remedy to Canada's long-term economic problems is currently centred on Michael Wilson's project of drafting a competitiveness strategy for Canada. Unless some fairly substantial and immediate steps flow from this competitiveness review, Canadians could revert to being hewers and drawers. Our guest will be heavily involved in Mr. Wilson's project.

Mr. Hockin brings to his task considerable experience in government, academe, and business. First elected to the House of Commons in 1984, he has served in three economic portfolios — Minister of State for Finance, Minister of State for Industry, Science and Technology, as well as his current post. Before his election to Parliament, Mr. Hockin taught business at York University and the University of Western Ontario.

He has also had the chance to put some of his academic theories into practice in the world of business, as President of Markham Imports, and as President of Sotheby's Canada. In brief, our guest speaker has accumulated an extensive portfolio of experiences.

Equipped with this broad background, Mr. Hockin has committed considerable time and energy to developing and articulating his thoughts on how Canadians can work together to deal with economic and political challenges and prepare to compete in the years ahead.

Ladies and gentlemen, please welcome the Honourable Tom Hockin.

Tom Hockin:

Thank you for inviting me here today and thank you for being here on a day of strikes and work stoppages.

I want to share with you a philosophy, an approach, as to how we as a country must make our economy more competitive as we emerge from the recession. Let me do it from the perspective of the small business person, the entrepreneur.

Entrepreneurship

Since becoming minister for small business I have had the opportunity to talk to entrepreneurs all across the country. I have listened to their problems and shared their enthusiasms as a former owner and manager of two small businesses before I entered politics.

I believe we in public life must understand what drives entrepreneurs. As Canadians we must encourage their ingenuity and determination. The most striking characteristic of entrepreneurs is surely their independence, their self-reliance. The other side of that coin, however, is the sense of isolation, the loneliness that only the small business owner can experience.

Let me quote Max Carey, a noted entrepreneur, who preceded me recently at a conference speaking to 500 of the United States' most successful small business owners. This was an interesting audience. They were all entrepreneurs who had started from scratch.

None of them had inherited a business.

"Only the entrepreneur," Carey said, "knows the loneliness that descends on you when business is down, when you know you're not bringing enough home for your family. Who are you going to tell that things are going from bad to worse? That a competitor or a recession has moved you from the fast lane to the oncoming lane?"

"We entrepreneurs sleep like babies. Every three hours we wake up and cry!"

Carey's message found great resonance with his audience because all of them, in varying degrees, had experienced the sense of isolation that was being described. When it comes to shouldering the risks of business enterprise, you are on your own.

Indeed, in my experience, the model of economic life that so many of us carry around in our heads is one in which business enterprises are independent atoms ricocheting around the marketplace, each one trying to be competitive in order to survive.

This is a far too primitive view. In fact, my message today is that almost all businesses are going to have to extend their access to information, to resources, to expertise and to markets by reaching out to other institutions, to enable each enterprise to do with others what one cannot possibly do separately.

Partnerships

That is why I am focusing on what should be a key strategy as we emerge from the recession: partnerships. Partnerships of business with other businesses; business with labour; business with research and training institutes; business with government; and finally, government with government.

I am going to speak of partnerships not as a social or moral duty but as good business. Our government's prosperity agenda, which will shortly be announced, will place great emphasis on this. My business mind, political mind and my analytical mind tell me that all sorts and conditions of partnerships will be necessary if Canada is to achieve prosperity in the 1990s.

Business with Business

Strategic partnering with other businesses makes eminent sense, especially for small businesses. It can help to reduce risks. It can extend the scope of what a firm does. It can accelerate growth. Above all, it can add new knowledge.

For Canada, partnering can result in a better balanced economy. Ours is presently an "hour-glass economy" with a preponderance of large and small firms. We have proportionately far fewer medium-size businesses than the U.S. Partnering with customers, partnering with suppliers and service providers can be the key to the maturation and growth of many of our small businesses.

What exactly is meant by partnering? When most of us think of partnerships we think first of joint ventures or strategic alliances. It is stunning how relatively small companies are able, working together, to magnify their reach. My next annual report to Parliament on small business will contain many examples of this.

One such example is that of several consulting engineering firms in British Columbia which have joined forces to market their services abroad. They have been able to place a repre-

sentative in Manila to prospect for contracts as well as keep in close touch with the Asian Development Bank.

Another example is a Canadian-owned freight forwarding service (located here in Toronto) which has concluded an exclusive agreement with an independent carrier. Unlike other freight forwarders we know, that company can now guarantee its delivery times!

We have encouraged partnerships in our financial institution reform package. Our investment houses needed access to capital. This is what we made possible in our reforms a few years ago.

Business with Research and Training Institutes

There are also gains to be made by acquiring partners from **outside** the business world. With educational institutions to develop training programs. Or with universities, research centres, or institutions such as the National Research Council, which enables smaller firms to benefit from research and to keep track of technological developments.

A good example is that of Jutras Die Casting, a Toronto manufacturer of auto parts that turned to the Ontario Centre for Advanced Manufacturing (OCAM) in Cambridge, Ontario, for assistance in recommending low-cost ways of improving quality. The improvements OCAM recommended were easy for employees to learn and resulted in a dramatic reduction in the company's reject rate.

Business with Labour

Partnering, however, involves more than just a business decision. In many cases, it's a lifestyle decision too. It takes a wrenching adjustment on the part of business people who, through hard experience, have learned the lesson that they are on their own. Our business culture has to keep in step with the times, to accommodate new relationships of trust, **sometimes even with competitors**, and a new sense of shared values.

I believe the culture can be transformed, even in the case of business joining forces with unions. This may be the most acrid week in labour relations for many months but we do have excellent examples of partnerships that break down labour-management antagonism. Increasingly, at a time of profound adjustment in our industrial structure, both sides are coming to see that they must rise above ingrained attitudes of hostility, defensiveness and self-protection.

Think, for example, of the joint efforts being made by the Cape Breton Development Corporation, for which I report to Parliament, and its unions, particularly the United Mine Workers (UMW), to keep their industry viable and provide secure, long-term employment for its work force.

The history of the Cape Breton coal industry is stained by a continuous pattern of labour-management strife. Yet recently workers and executives have come together to develop a plan for restructuring the company and the UMW district president participated in a successful marketing mission to Mexico.

Government with Business

But you know as I do that it is not just up to business and labour to break out of the old mold and forge partnerships. The obligation rests heavily on government as well, and the Federal Government is, in fact, finding new ways to work with the private sector. We can't afford an expensive subsidy approach to partnering, but we can create partnerships in other ways.

Let me give you an interesting example of how we promote tourism in Canada. A recent study conducted by Coopers & Lybrand and commissioned, in part, by my department, has shown that the level of satisfaction on the part of U.S. travellers who have holidayed in Canada is extraordinarily high, as is the likelihood that they will be making a return trip. Ninety-six per cent say that their trip to Canada was as good as, or better than, their last vacation in the U.S.

Yet you may ask how is Tourism Canada, for which I am responsible, going to get full value from this huge market with the modest resources that can be made available at a time of government restraint? We have zeroed in on this problem by forming a wide variety of partnerships — with the provincial governments, of course, but also with the major airlines, with hotels and with tour operators.

Government with Government

Undoubtedly, we in government can do much to join forces with the private sector in pursuit of our mutual goals. But perhaps the greatest challenge is for governments to become effective partners of each other.

Are Canadians from coast to coast not now looking to their governments to show a spirit of partnership and co-operation at this time of national self-examination and renewal?

Speaking as a federal minister from Ontario, I naturally believe this lesson applies particularly to relations between our government and the government of this province. Working together, the governments of Canada and Ontario can do an enormous amount to support one another's objectives — in the realm of fiscal policy particularly but also in environmental regulation, tax collection, and many, many other areas.

For example, if we achieve a better trained work force, one of the building blocks of competitiveness as the Federal Government sees it, this will be in major part due to the Ontario educational system.

Working at odds with one another, however, the wastage in effort and resources by both levels of government is enormous and tragic.

The Policies of the Ontario Government

You will understand when I say that, as minister for small business in Canada, I am very troubled by some of the policy directions being taken by the present government of Ontario.

Not only am I concerned by a fiscal stance that runs counter to our own. I am troubled by policies that appear to undercut what the Federal Government has been trying to do to moderate the regulatory burden on business, to augment sources of finance to start new businesses, to, in short, enable business people to make business decisions based solely on business criteria.

I am concerned that, when the Federal Government has been limiting program spending in the past years to less than inflation, the Ontario government has just announced an increase of program spending of over 13 per cent and an even higher increase in the government's bill for salaries and wages.

I know also that many of you share the views recently expressed by Diane Francis about "Bob Rae's anti-business, anti-development, anti-enterprise, anti-taxpayer policy positions to date."

I am, however, heartened when I read some of the views expressed by Premier Rae about the kind of co-operation and trust that he believes should characterize relations between his government and the major institutions of society. I am even more encouraged by comments indicating that he perceives the link between economic activity and social programs.

As he said recently, his government "...understands that there must be a marriage and an understanding between those who are involved in the creation of wealth and those who are preoccupied with issues of social justice."

The Premier's words could have been taken right out of the Federal Government's prosperity agenda. A central point that we are trying to get across is that increasing the size of the economic pie is the surest way to attaining our social policy objectives.

If there is a mutual realization that a thriving business community is absolutely crucial to our social advancement, then we have the basis for a partnership between the Conservative Government of Canada and the New

Democratic Party Government of Ontario. That is the objective towards which my colleagues and I are going to be working in the months ahead.

But both of our governments are going to have to keep uppermost in mind the way business actually works. Business **does** have a social role and business **does** benefit greatly from social programs. But the strength of our economy and our society depends on our businesses knowing precisely what their task is and being able to set about it with the least encumbrance possible.

That means we should constantly be asking ourselves: "Is Ontario or Canada considered a hospitable place to start a business?" That means we should always have clearly in view the impact that new social programs are going to have on our economic competitiveness.

We already have environmental assessments, employment equity assessments and so forth. Why not competitiveness assessments of every new social program?

As minister of small businesses and tourism I know that the Federal Government too must do a better job at relieving the government imposed burden on small business. The paper burden must be decreased. Especially close to my heart is to decrease the administrative aspects of the GST. I believe we can make the GST work better and more simply, now that we have had some experience with it.

The Need for a Larger Vision

In the past few minutes I have tried to make the case for more partnership and co-operation in the Canadian economy. Yet I cannot make the assumption that partnerships and co-operation always come easily. They don't.

Indeed, Meech Lake and some of the outbursts resulting from fiscal restraint have shown us how difficult it is to break loose from our parochial associations — our region, our group, our occupation and so forth.

We confront what the political theorist Sheldon Wolin has called "the chopping up of political man." We tend to view the

world as business persons, trade unionists, Westerners, Easterners, bureaucrats, occupants of a certain income tax bracket, rather than taking a larger view of national citizenship.

A Canadian view of this blinkered approach was given in a recent newspaper article by Robert Miller, who criticized his fellow citizens for showing “chronic disinterest in the affairs of the community until and unless one’s ox is gored.”

In the final analysis, I believe the strategy of partnering is attractive because out of it can come a more mature sense of citizenship. What could be more needed today as we mobilize our energies and skill to keep whole the country that enshrines our hopes and dreams and common history?

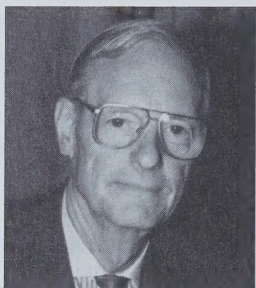
This is a challenging time not only to be a politician but to be a citizen. We must build a sense of citizenship in a time of scarcity and this means that we must look beyond our own particular circumstance and be aware of what others are facing as well.

A larger vision is what we need when we tackle the problems of the economy just as when we tackle the problems of national unity. A larger vision that can sustain partnerships and co-operation by small businesses and by constitution makers alike.

I began my comments today by quoting the entrepreneur Max Carey on the loneliness of being an entrepreneur. I believe not just entrepreneurs are caught in this prison of isolation. I am suggesting today that this loneliness can be overcome in part through a wider view of partnerships.

This will also lead to a larger view of citizenship. Thank you.

The appreciation of the meeting was expressed by Harry Seymour, President and CEO, Pathfinder Learning Systems Corporation, and a Past President, The Empire Club of Canada.



September 17, 1991

Robert MacIntosh

Former President, The Canadian Bankers' Association

DIFFERENT DRUMMERS

Introduction: John F. Bankes

President, The Empire Club of Canada

"To write books is easy, it requires only pen and ink and the ever-patient paper. To print books is a little more difficult, because genius so often rejoices in illegible handwriting. To read books is more difficult still, because of the tendency to go to sleep. But the most difficult task of all that a mortal man can embark on is to sell a book."

From a poem by Felix Dahn, paraphrased
by Sir Stanley Unwin

Coming up with the right title for a book — the magic combination of words that will turn browsers into buyers — is a blend of art and inexact science, the mastery of which is crucial to the success of a book. Understanding the importance of an intriguing title for his book, a young first-time author hesitantly approached Somerset Maugham for aid in coming up with a title for his opus:

"Any drums in the book?" asked Maugham. "No."

"Any trumpets?" "Uh-Uh."

"Then call it *No Drums, No Trumpets*."

Our guest speaker today, Bob MacIntosh, **has** written a book about drums — **Different Drummers**, to be precise.

Like its author, *Different Drummers* is a little bit of everything: “a mixture of history, journalism, argumentation — and personal reflections.” Bob MacIntosh’s principal objective in *Different Drummers* is to take his readers on “a short tour around the playing field of banking and politics, showing how the various teams march to the beat of different drums.”

Dr. MacIntosh’s text is rich in history, anecdote and understanding of the somewhat blinkered world of Canadian banking. Rather than review or critique his book, however, I would prefer to set the stage for Bob MacIntosh’s remarks today. The theme of his remarks is that the structure and business powers of commercial banks reflect the social and political environment of the day. The regulatory climate impacting on banks, however, often lags a long way behind reality. This nation’s banks, according to Bob MacIntosh, receive about as much respect as a fire hydrant gets from a poodle!

This message is particularly timely and important in this era of uncertainty and change involving financial institutions in Canada and abroad. Let me briefly cite several examples:

First, recent disclosures concerning Bank of Credit and Commerce International — or BCCI — portray a bank that took money from more than a million depositors around the world and — in what has been described as a planetary Ponzi scheme — became a personal piggy bank for its Arab and Pakistani owners and its favoured customers.

Second, U.S. regulators are still wrapping up after, and coping with, the fall-out from the thrift industry’s meltdown resulting, in part, from credit indiscretions involving commercial real estate, below investment-grade bonds and Latin American governments.

Finally, America’s banks, like jilted lovers, are increasingly seeking solace in each other’s arms. Within the space of a few weeks this summer, three massive bank mergers have been announced. Assuming for a moment that big really is better, where does that leave Canadian banks?

The British economist and journalist Walter Bagehot once commented: “The business of banking ought to be simple. If it’s hard, something is wrong.” In light of the above complex issues and experiences, it is worth asking: When did banking stop being simple?

This fall, Canada is scheduled to embark upon the next chapter in the Federal Government’s agenda to reform the legislative and regulatory framework governing the country’s financial services industry. Accordingly, it’s worth examining these recent issues and

experiences in detail. And our guest speaker, Bob MacIntosh, is a worthy commentator on this process.

Armed with three university degrees, Dr. MacIntosh joined the Bank of Nova Scotia in 1953. His mother was not impressed with this career choice.

"Robert, why are you throwing away your education?"

She could hardly bring herself to mention it to the neighbours. In those days, Bob points out in his book, people with university degrees did not go into banking. Nevertheless, Bob had a rewarding 27 years at the Bank where he supervised the Bank's investments, as well as taking responsibility for the computer division, law, economics, mortgages and management training.

John Kenneth Galbraith once said: "Banking may well be a career from which no man really recovers." Bob is an apparent exception to this theory. In 1980, he was appointed as the first full-time President of the Canadian Bankers' Association, a position he held for 10 years.

Both as a banker and as the bankers' spokesperson, Dr. MacIntosh has built a reputation for independent thinking and straight talk. Ladies and gentlemen, please welcome Bob MacIntosh.

Robert MacIntosh:

Mr. President, ladies and gentlemen. I was quite astonished — but nevertheless, pleased — to receive an invitation to speak to you today. I feel like the Roman general, Lucius Cincinnatus, who was called back from the plough to help defend the Imperial City once more against the invading barbarians. In this analogy, I will leave it to you to judge who the barbarians are. I notice a few of them in the audience today.

Anyhow, I guess the invitation is to recognize the publication of my book on banking and politics in Canada, *Different Drummers*. These remarks are an extension of some issues discussed in the book and, of course, do not necessarily represent the views of the CBA or the banks, for whom I do not speak now.

Having worked around the corner of King and Bay for almost 40 years, I know the **parents** of the current crop of executives better than I know them. Your President, John Bankes, might be seen as an exception to this phenomenon. John was the elected student representative on the Board of

Governors of York University when I was Chairman of the Board, so I have known him a very long time. But, as it turns out, I have known his father even longer. Jack Bankes was a highly regarded executive of the Royal Bank who is still active in the business community.

I have not mentioned either of them in my book, which does not deal much in personalities. This will disappoint those who think that a book about banking and politics should be heavily loaded with muck-raking and gossip. *Different Drummers* is more about issues than about people; but there are almost 1,000 names in the index, so I guess it is not entirely free of personalities.

The newspapers have already noted that the book is not kind to some distinguished Toronto citizens of about three generations back. If you are not aware that Casa Loma is the ultimate monument to real estate speculation in Toronto, then you will find that *Different Drummers* does get into personalities sometimes.

But the chapter on the connection between Casa Loma and the Home Bank is not intended to be just a narrative about the last bank failure before the two Western bank failures in the 1980s. It is a story about using other peoples' money for the personal enrichment of a few financial buccaneers.

The public outcry eventually forced the politicians to do something about it, and there were significant reforms to banking legislation. However, governments do not learn very quickly from experience, because the same sort of things have been repeated in our time in more than a dozen small trust companies. Eventually, the regulatory environment catches up with reality, but we seem to have to learn the lessons all over again.

The current worldwide eruption of concern about the BCCI is a very good example of regulatory lag. To say that the financial system has become globalized is a cliché. With foreign exchange markets, which are largely free of control in the industrialized world, and with instant telecommunica-

tions, huge amounts of capital can migrate to the major currencies in most parts of the world in moments. This is why international standards have been applied to the large international banks throughout the OECD.

The rules of the so-called Basle Concordat require, among other things, that each member country must enforce agreed standards of capital adequacy on its own banking institutions. But it has seemed to me for some years that there was a significant loophole within the European Community in applying international standards to banking regulation.

Luxembourg is a member of the European Community, of the OECD, and of the Basle Concordat on the standardization of banking regulation in Europe. The European Community has been inclined to treat Luxembourg as a full sovereign power, comparable to its neighbours Belgium and Germany. This may be appropriate for purposes of European trade, but it is hardly acceptable for international banking standards.

Luxembourg has a population of about 370,000. There are about 180 banks and 6,000 holding companies. There is no central bank in Luxembourg, and its own domestic currency is administered on its behalf by the central Bank of Belgium. There is a financial regulatory authority, but its record in the matter of the BCCI speaks for itself. It would seem that the fairest way to describe Luxembourg is a country of convenience, like Panama and Liberia in the shipping industry.

Apparently it has been convenient to the other members of the European Community to tolerate this situation. It is a little difficult to understand how it could be tolerated for so long, because it provides an opportunity for anyone to establish a head office for a bank which then has access to all the other members in the OECD across the globe.

As Professor Richard Dale wrote in 1988:

“Luxembourg is renowned for its tough bank secrecy laws — In effect, complete secrecy prevails; and it should now be obvious to all — that secrecy attracts criminality.”

Our own Canadian regulators relied on the Bank of England and the Luxembourg authorities, according to their

own declaration, to assure adequate banking standards. This was perhaps an unfortunate oversight, since the Government of Luxembourg banking regulations specifically do not apply to holding companies which the BCCI topmost company was.

As for the Bank of England, it never did provide full banking status to the BCCI, but classified it as a "deposit taking institution." This was in fact the cause of my original concern, voiced informally in 1982, about the BCCI being licensed in Canada, coupled with the fact that the Federal Reserve Board would not allow its entry as a national bank in the United States. Recently, a former U.S. comptroller of the currency and onetime Superintendent of the New York State banking system, John Heimann, noted that he rejected an application for a banking licence into New York State by associates of the BCCI, because there was "no primary regulator." The Bank of England was in no position to supervise the worldwide operations of the BCCI because the London operation was only a branch and in any event could not assert sovereign authority over a bank headquartered elsewhere.

To make matters even more dicey, there was a separate BCCI holding company headquartered in the Cayman Islands. No overall regulator should accept the notion that a parallel headquarters could exist elsewhere and out of reach.

The Canadian authorities as well as the Bank of England chose to overlook these little problems, for reasons which I do not understand. Granting access to Canada, and indeed to the whole international banking world, to a bank or bank holding company which has no primary regulator is clearly an invitation to disaster, and a worldwide disaster we have had. The real issue on the table is to define clearly that the right of access to banking in Canada must be restricted to banking institutions which are themselves properly regulated in their home jurisdiction.

Again quoting Dale (in July of this year): "the (BCCI) structure makes a nonsense of the Basle Concordat which was revised in 1983 to take account of the principle that banking

supervisory authorities cannot be fully satisfied about the soundness of individual banks unless they can examine the totality of each bank's business worldwide."

When the Bank Act was amended in 1980 to admit foreign banks, this obvious constraint was implicit in the legislation and was set out explicitly in the guidelines attached to the Act. We admitted about 60 foreign bank subsidiaries in 1981-82, and in every case except one the parent was a properly regulated foreign bank, subject to the central bank and the supervisory authorities in its home jurisdiction.

The BCCI was the only exception I know of, and that is why I challenged it at the time, noting the attitude of the Federal Reserve and the Bank of England. The revelations of the bank's behaviour should not deflect attention from the real issue, which is the conditions under which foreign banks are admitted to Canada.

As it happens, this very question is examined in *Different Drummers* in the chapter on the politics of foreign banks. But the context is somewhat different. In 1983, we had a huge battle with the government over the admission of American Express to Canada. I want to be quite clear that there is nothing in common between the BCCI and the American Express Bank, and they cannot really be discussed in the same sentence except to say this: There is no regulated parent bank of American Express Bank of Canada. Its parent is a travel company, and the parent is not subject to the Basle Agreement on capital adequacy or indeed any other international banking standards.

The parent is not a member of the Federal Reserve System, and is not regulated like all the other 16 American banks which have subsidiaries in Canada. As the book points out, the government ignored its own guidelines in granting access to AMEX. The Minister of State (Finance), Mr. Loiselle, said that guidelines were just that, and could be ignored when appropriate — I would like to see the reaction if a bank ignored the guidelines. The book describes how the

Canadian Bankers' Association lost that battle, one of the many which I lost over a period of 10 years.

But to compound the problem, the draft banking legislation which is now in the works builds this very sloppy approach right into the legislation. The government can decide that other financial institutions, loosely defined, can be recognized as the parents of Canadian bank subsidiaries. This could include all sorts of American corporations which are not regulated banks in the United States, where we can daily observe the workings of the American financial system as it builds ever larger losses for depositors and taxpayers.

But our legislation is not of course applicable only to the United States. If the Minister of Finance sees fit, he could grant recognition to any financial service organization on any sand dune country in the world which happens to suit the government of the day. The government can decide when it gets up in the morning that American Express travel service is a financial institution but General Electric Capital Corporation is not. It can decide that a largely unregulated bank based in Luxembourg is a suitable parent for a Canadian subsidiary, but that one based in the Cayman Islands is not — at least for the moment. This is not a coherent policy about the admission of foreign banks to Canada, and this is the lesson which should be learned from the BCCI affair.

Warning Flags Mean Extinction

On a happier note, the Canadian Superintendent of Financial Institutions, Michael Mackenzie, deserves credit for quietly putting the clamps on the BCCI in Canada. The bank had been reduced in size by more than 50 per cent in the past year. Mr. Mackenzie had caused the capital of the bank to be significantly increased, and had closely monitored the quality of assets. As it turns out, he had put the bank on a three-month licence, and then on a monthly licence. There has been some criticism that this fact should have been made public.

But it is hard to see how the regulator could make his concerns public without causing an instant run on the bank. The very fact of announcing that a deposit-taking institution is on a short-term lease would cause an instant run on the institution and it would have to close its doors at once.

In such a case, the large uninsured depositors take their money and run, leaving the insured deposits to be covered by the least liquid assets and any shortfall to be paid for out of the deposit insurance fund. We had several trust company failures in which this very thing happened. The irony is that the very people whom the law is not meant to protect are the ones who get out first and scot-free. Clearly the regulator is in a double bind, no matter what he does.

I do not have an answer for this problem, except to note that it emphasizes the need for a comprehensive early warning system which will tell the regulator that an early clampdown is needed. One element in a gradual clampdown would be a higher premium rate for deposit insurance, applied to institutions which take undue risks. This would be a warning sign, but not a case of bungee-jumping with a frayed rope.

Big is Not Bad

If there is any general theme which runs through *Different Drummers*, it is that the business and powers of banking institutions are very much a response to the social and political needs of the community. I have tried to explain why the Canadian public found the idea of nationwide branch banking institutions comfortable, whereas the Americans went off in the direction of a unit banking system.

Now we are seeing that the Canadian approach is rapidly gaining ground in the United States. Right now there is major legislation before Congress which will allow American banks to branch across the 50 states, thus taking them back to the situation they had before 1836.

One of the major frustrations for Canadian bankers in the evolution of public policy in the last 10 or 20 years has been

the bias in Ottawa and in academic circles against bigness in banking. There are several rules which are slanted against the big banks in the legislation. For example, a big bank has been required to keep a higher level of cash reserves than a small bank, although the risk to the depositor is obviously in the other direction. This bias is still very much a part of public policy, as seen in the government stipulation, "Big cannot buy big."

The thrust of policy is to prevent one big institution from buying another one. We have even gone to the lengths of deliberately encouraging foreign institutions to buy smaller Canadian institutions to make sure that the big banks will not get bigger. In Germany and Switzerland and Britain, this approach would be regarded as ludicrous.

In fact, a large number of small competitors is a recipe for an inefficient financial system. The reason for this is that banking is essentially a system of information storage and retrieval. Small financial institutions simply do not have the threshold size to achieve the economies of scale associated with modern computer systems which are so basic to customer service. This is the swing factor which is forcing American politicians to come to grips with the fact that their banking system is falling behind the rest of the world and can no longer remain the captive of local and regional interests.

But in Canada, there are some who are still caught in a time warp, in which public policy should aim to produce small institutions with a parochial bias. We have been through all that in Canada, many times over. At one time, we had local banks in Nova Scotia, Prince Edward Island, New Brunswick, Newfoundland, Quebec, Manitoba and British Columbia. A century ago, we had almost 40 banks. The reason we have big banks is that a lot of little banks did not work. With any luck, my book will be read in Ottawa, especially the chapter on why we have six big banks!

In the course of doing research for more than a year, I read practically every textbook and history on Canadian banking that has been written. One curious thing I found was that

there was very little said about the six per cent legal ceiling on bank lending rates which lasted until 1967. The ceiling was seven per cent from the earliest years of Canadian banking until 1944, when it was reduced to six per cent. I came to the conclusion that the interest ceiling did not matter very much until the post war period, because interest rates were generally a lot lower than six per cent. The yield on government bonds, for example, rarely got above three per cent for much of our financial history.

But the ceiling began to really bite in the 1950s. Even after the banks got the power to make National Housing Act mortgage loans in 1954, there was a long period when they could not do so because they were limited by the six per cent ceiling. The reason the trust companies suddenly expanded rapidly was that they were not limited by the ceiling, and were able to out-compete the banks for deposits with which to fund mortgage loans. This explains the sudden emergence of the trust companies as deposit-taking institutions.

When the banks were required to divest their interests in trust companies, a few foresighted individuals moved to get control of the big trust companies, because they realized that the 10 per cent limit applying to banks did not apply to other institutions.

And so we have developed a hybrid system in which the big banks are broadly held, with no one shareholder being allowed to have more than 10 per cent; but the trust companies are closely held because the law allowed it in 1965.

In some ways what happened was an accident of history, as I suppose all politics are. The best analysis of banking ever done in this country was the Royal Commission on Banking and Finance, the so-called Porter Commission, which was published in 1964. The Porter Report provided a very clear and comprehensive strategic plan for the evolution of the financial system. It proposed that the Federal Government should assert its authority over banking, which is supposed to be exclusively a federal matter under The Constitution Act, formerly The British North America Act. It spelled out a prac-

tical scheme for defining banking. If that report had been accepted, we might have avoided the tangled web of federal-provincial conflict over financial institutions which is now plaguing the system.

Unfortunately, the Minister of Finance at that time was Walter Gordon, who was preoccupied with his vision of a nationalist and protectionist Canadian economic system rather than the federal-provincial problems. Instead of dealing with the key recommendations of the Porter Report, the government concentrated on blocking any foreign presence in Canadian banking.

In *Different Drummers*, I explore the famous Mercantile affair, in which Citibank's ambitions for a large Canadian presence were blocked. But the decisive factor which closed the door to a foreign presence in Canadian banking for 15 years was the less well-known plan of the Chase Manhattan Bank to take control of the Toronto-Dominion Bank in 1964.

It was not until 1980 that the Canadian government got around to a policy which allowed foreign banks to enter Canada. In the headlong rush to license foreign banks, there was an underlying assumption that the greater the number of players, the greater the competition. This philosophy of "the more the merrier," displaced prudence and common sense, and helped create the environment for granting a charter to the BCCI. Despite the many disasters of the 1980s, which are continuing in the '90s, it is not clear that the authorities are ready to re-examine their ideological convictions as to what makes for an efficient and competitive banking system. But we're getting there, even at a very slow drumbeat.

The appreciation of the meeting was expressed by Tony van Straubenzee, President, van Straubenzee Consulting, and a Past President, The Empire Club of Canada.



*Colonel The Honourable Lincoln M. Alexander, P.C.,
C.C., O. Ont., LL.B., LL.D., Q.C., Lieutenant Governor of
Ontario.*

The Loyal Societies' Gala Dinner

In Honour of

*Colonel The Honourable Lincoln M. Alexander, P.C., C.C.,
O. Ont., LL.B., LL.D., Q.C., Lieutenant Governor of Ontario
and Her Honour Mrs. Yvonne P. Alexander*

at

The Canadian Room, Royal York Hotel, Toronto
September 20, 1991

Chairman: Major General B. J. Legge
C.M.M., C.M., E.D., C.D., B.A., Q.C.

The Queen's Message

Roland Lutes

A message from Queen Elizabeth II:

"I sincerely thank all members of the Loyal Societies of Toronto for their kind message of loyal greetings, sent on the occasion of the gala dinner which is being held to mark the retirement of Colonel The Honourable Lincoln Alexander and Mrs. Alexander. I received this message with much pleasure and send my best wishes to all concerned for a happy and successful evening and send my warmest thanks to the Lieutenant Governor and Mrs. Alexander."

Elizabeth R.

State Prayers

Major The Reverend Harold Roberts

FOR THE QUEEN

Almighty God, fountain of all goodness, bless our Sovereign Lady, Queen Elizabeth, and all who are in authority under her; that they may order all things in wisdom and

equity, righteousness and peace, to the honour of your name, and the good of your Church and people; through Jesus Christ our Lord.

FOR PEACE

O God, it is your will to hold both heaven and earth in a single peace. Let the design of your great love shine on the waste of our wraths and sorrows, and give peace to your Church, peace among nations, peace in our homes, and peace in our hearts; through your Son Jesus Christ our Lord.

FOR THE ARMED FORCES

Almighty God, we commend to your gracious care and keeping all the men and women of our armed forces at home and abroad. Defend them day by day with your heavenly grace; strengthen them in their trials and temptations; give them courage to face the perils which beset them; and grant them a sense of your abiding presence wherever they may be; through Jesus Christ our Lord.

COLLECT

Almighty God, whose wisdom and whose love are over all, accept the prayers we offer for Canada. Give integrity to its citizens and wisdom to those in authority; that harmony and justice may be secured in obedience to your will; through Jesus Christ our Lord, who lives and reigns with you and the Holy Spirit, one God, now and for ever.

Almighty God, we give thanks this night for the service of Lincoln and Yvonne Alexander, who have been faithful to your call and inspiring to your people. Bless them with the abiding presence of your Holy Spirit. May they have length of day in good health and happiness and ever know the love and appreciation of those they have served; through Jesus Christ our Lord. Amen.

Toast to the Loyal Societies

Mrs. Margaret Catto

From the lone shieling of the misty island
Mountains divide us, and the waste of seas —
Yet still the blood is strong, the heart is highland,
And we in dreams behold the Hebrides!
Fair these broad meads, those hoary woods are grand,
But we are exiles from our fathers' land.

Three common threads link the Loyal Societies represented here tonight: tradition, service and allegiance to our country and our monarchy.

Members of our earliest Loyal Societies, founded in the first half of the 19th century, were understandably homesick. These "exiles from their fathers' land" needed each other's support. They wanted to remember together the strong traditions brought with them from the "auld sod."

Our members were also concerned about the welfare of their country-men, many of whom had left their homes to escape wars, famine or oppression. The custom of assisting the needy was quickly established in the Loyal Societies and continues to this day. This service to the community takes the forms of social assistance and educational support through scholarships and bursaries.

The third and vital link uniting the Loyal Societies is allegiance to our country and our beloved Queen. Our members vigorously support the constitutional monarchy, represented so admirably in this province by our distinguished guest of honour.

That our Lieutenant-Governor serves many of the Loyal Societies as patron is no coincidence. We delight in his jovial presence at our functions, for he embodies these same three principles for which we stand; respect for tradition, service to the community, and loyalty to crown and country.

The motto of this province, I suggest, applies equally well to its Loyal Societies:

Ut inceptit, sic permanet, fidelis.

As we began, so we remain, loyal.
The Loyal Societies!

Response to Toast to The Loyal Societies

Mr. John Bankes

May it please Your Honours:

I am pleased and privileged to have been invited to respond to Margaret Catto's Toast to the Loyal Societies.

It is good to be reminded of the values that undergird the Loyal Societies. And it is also important to keep in mind that these values are as relevant as ever, and deep enough to retain their relevance through changing times.

One of the principal tenets of the Loyal Societies has been their lofty ideals in terms of commitment to the values of tradition, service, and loyalty. These values are important to fostering our current way of life — and renewed commitment of these values is essential for the future.

The Loyal Societies' respect for tradition is strong. Tradition has been defined as an extension of the franchise; after all, tradition means giving votes to the most obscure of all classes, our ancestors. The Loyal Societies have accepted the admonition of Irish philosopher and statesman, Edmund Burke, that: "People will not look to posterity who never look back to their ancestors."

The Loyal Societies' commitment to service includes a recognition that as needs change, the ways in which we respond to them must grow. Arguably, there is no higher religion than human service; to work for the common good is the greatest creed.

Finally, the Loyal Societies recognize that our loyalty to the constitutional monarchy is part of our loyalty to each other — it is a common bond to which newcomers are always welcome.

Everyone who accepts the idea of an organized society owes loyalties — to ourselves as individuals, to our family, to our community, to our province, and to our nation. It is

expressed on evenings like these, it is expressed when we vote, and it is expressed at events like the Canada Cup finale in Hamilton a few days ago — at the top of our lungs.

And, Your Honour, it is expressed through you. A business leader, James S. Duncan, put it well: "Loyalty is not a one-way street. No [group] is loyal to a leader unless he, in turn, is loyal to those who are working for him. The example must always come from the top."

Your Honour, on behalf of the Loyal Societies, thank you for the example you have set.

Toast to the Canadian Armed Forces

Major General R. W. Lewis.

Mr. Chairman, Your Honours, distinguished guests, ladies and gentlemen, it is a great honour for me to be chosen to propose the Toast to the Canadian Armed Forces.

Our Armed Forces were born out of cruel necessity in the hard years of the early colonies. Trained and sustained by the regulars of first France and then Britain, developing as determined by the dictates of the times and circumstances, they arrived where they are today. The Armed Forces of Canada have a history best described as a recurrent cycle of significant achievement, debilitating and demoralizing neglect, and prospects of revitalization, the realization of which was often just beyond reach. We stand today at the nadir of one of those cyclical swings with the recent announcements of significant cutbacks.

None is better acquainted with this cycle of promise and compromise than units of the Reserves, and particularly the Militia. Our citizen armies, raised to fight on distant continents, were hung on the framework of Reserve units which had in peace time persevered through every adversity; providing stability, and displaying a fortitude and patriotism unique in our national institutions.

In the great events giving rise to the creation of those citizen armies, the Canadian Forces served with distinction,

bringing honour to individuals, to their units and to their country.

At home and abroad they rose above the effects of years of neglect and carried the nation's colours proudly in concert with our allies.

In the Great War, the Canadian Army became shock troops, as they were then termed because of their dash and determination in the attack. In the Second World War this same spirit carried over into the Dieppe assault, the Normandy invasion, the hard slogging through Sicily and Italy, the low countries and the sodden, flooded polder lands. In Korea the Canadians excelled at aggressive patrolling across the valley rice paddies and determined, defiant, defence of the hills.

While I have touched on the role of Ground Forces, let us not forget that our Navy and our Air Force served with equal vigour and distinction, and besides their own sea and air battles, were instrumental in ensuring the success of many ground operations.

Nor do we forget the men and women standing on guard with our Peace-Keeping forces; let our recent participation in the Gulf War stand as a reminder that notwithstanding the euphoria over the profound political changes taking place in our world, the world is still a dangerous place. To be independent and reasonably prepared for conflict and crises is the wise course for a prudent society.

Disheartening as proposed reductions and cutbacks may be, the real strength of the Canadian Forces continues to be the individuals who carry on the fine traditions of military service in much the same way as our predecessors — predecessors who also saw the need for individual preparedness, and went forth to work in the fields of New France with farm implements in hand and musket slung over shoulder.

It is in recognition of the achievements, the valour, the determination and the spirit of the individual serviceman and servicewoman that I ask you now to rise and join with me in a Toast to the Canadian Forces.

Response to the Toast to The Canadian Armed Forces

Lieutenant General F. R. Sutherland

Your Honours, General and Mrs. Legge, distinguished Head Table guests, ladies and gentlemen:

I am both pleased and honoured to represent General De Chastelain and the men and women of Canada's Armed Forces at this very special and memorable occasion. In that capacity, I wish to convey sincere appreciation to Major-General Legge for his kind invitation. I also wish to thank Major-General Lewis for his articulate and moving Toast to the Canadian Forces, to those who have served in the past and those who continue to serve today with such loyalty, dedication, courage and distinction. In that regard, I believe it is worthy to note that, as we dine here this evening in these magnificent surroundings, Canadian military personnel are serving, both here at home and around the world in such places as Cyprus, the Sinai, Kuwait, the Western Sahara, Syria, Central America, Ethiopia and Yugoslavia. They are preserving peace, monitoring sensitive political and military situations and providing humanitarian aid to starving refugees. I would ask you to pause and remember them this evening.

Your Honour, I can assure you that your outstanding and tireless support of the military during your tenure as Lieutenant-Governor has not gone unnoticed and is deeply appreciated. We who wear the uniform of our country, are deeply proud that you have also worn that uniform — both during war and peace. Your service provides a glowing example for those who serve today.

As you and Mrs. Alexander prepare to embark on the next chapter of your distinguished careers, you take with you the deep and abiding respect — and the profound affection of your comrades in uniform — you will be sorely missed, but not forgotten.

Godspeed to you both.

Toast to Their Honours

Miss Sarah Band

Mister Chairman, Your Honours, Members of the Loyal Society:

The reward for serving in the ranks of the volunteers in society — if you have done it right and done it often enough — is to be called upon to express the thoughts of a loyal and loving audience, to the retiring Lieutenant Governor and Mrs. Alexander.

I do it with pride, with a measure of excitement, and a double measure of trepidation.

Because the Lieutenant-Governor to me is a person of stature, graciousness and legendary good humour.

In the law, in business and in politics he has few peers. In the business of being the Queen's representative in Canada's capital province, he is unsurpassed.

I look up to him. But then who doesn't if they're under six feet five inches tall?

He is proudly the representative of Our Sovereign Lady, the Queen of Canada. He has said, "It has made me very, very proud. It has made me feel very warm to see the kind of reception there is for me, which is really for the Queen. Because I represent her."

He has always been unfailingly gracious. He has always spoken to me. In all the years I have known him, in business, in politics, and in the vice regal post he's now leaving.

Wherever and whenever I have met him he has always greeted me with the same warm friendly salutation, "Glad to see you Susan, glad to see you."

If it doesn't matter to him my name is Sarah, but then who am I to complain?

This is not to say there is anything wrong with his memory. I am sure there isn't. How could there be anything wrong if he always remembers to call me Susan? He's the only one who does.

I have heard it said, however, that he has been known to call Mrs. Alexander by her childhood nickname, "Toady," in public. But that's not bad memory, that's love.

When I began to prepare these few remarks I knew Their Honours had been guests at dinners, luncheons, buffets and gatherings of all sorts, all expressing the regard in which they are held throughout the province.

So many as a matter of fact, it has been suggested the Lieutenant-Governor's term should be extended, to allow time for all the retirements functions to be held.

Your Honour, you have been justly praised in every venue from one end of this province to the other for:

Your dedication to our love of the Monarchy. For letting us see it with charm and wit. For showing us your love of country. For helping us to understand the people of our cities. For inspiring our young and encouraging the older among us. For opening the windows of success for Canadians of all races, colours and creeds.

We salute you for the way you represent Her Majesty. With 'majesty.'

The way you walk among us, reflecting the pride we have in you, your office and your service.

I have spoken in jest tonight, not in any disrespect, but to say in humour the thoughts we hold deep in our hearts.

I have shared the pride we all feel to know and admire a man we consider 'great' by the highest standards of our time. Great among the leaders of our nation.

And I leave these remarks sir, sharing the thoughts of those who look at the cover of this evening's program: at the top hat, the medallion, the gloves and the shades and say, "And in any costume, you will still be, 'The Lieutenant-Governor,' and we will still look up to you."

Mrs. Alexander we say our thanks to you. For your kindness through the years of service to us. For the warmth of spirit we have always seen. You have let us share your husband, to see his smile, to know his dedication.

We envy your time with the great people of our land, the time with Queen and princes. We praise your charm, your patience and understanding.

And I salute you on behalf of all women of like mind with this unforgettable quotation from another of Canada's famous first ladies.

"Behind every famous man there stands a surprised woman."

Ladies and gentlemen, please rise and join me. We wish Your Honour and Mrs. Alexander the best of a wonderful future. We love you and we toast you with our hearts.

To The Lieutenant-Governor and Mrs. Alexander.

Their Honours

Major General B. J. Legge

Colonel The Honourable Lincoln Alexander will respond to Miss Band's Toast and I present him simply as the Representative of the Queen of Canada in and for the Province of Ontario, who with Her Honour has served us to perfection in that role. During the War he joined the Royal Canadian Air Force. Subsequently he was called to the Bar of Ontario and earned the distinction of Queen's Counsel. His public life is inspiring and he has served as a Member of Parliament for Hamilton Wentworth for five terms. He was appointed Federal Minister of Labour and on leaving national politics he was appointed the Chairman of the Workers' Compensation Board of Ontario, in which capacity he was elected by his peers to be Chairman of the Canadian Association of Workers' Compensation Boards, and then elected as the President of the International Association of Industrial Accident Boards and Commissions. Throughout he has had the blessing of the company and support of the incomparable Madame Yvonne Alexander. He is a Knight of the Order of Constantine the Great, a Knight of St. Lazarus and a Knight of the Most Venerable Order of the Hospital of

St. John of Jerusalem. Your Honour, would you bring greetings to us now.

Colonel The Honourable Lincoln Alexander

What a wonderful evening. First let me say, Mr. Toffoli, how much I appreciate you seeing to it that Her Gracious Majesty's photograph is here on this very historic occasion. I am deeply grateful for that and, as well, for the voice that you project across this nation with respect to our Constitutional Monarchy and the Queen. I want to thank the three bands. You have enriched this evening. When you played *Amazing Grace*, tears almost came to my eyes with a feeling of warmth and gratitude. I want to thank you for being here to share this evening with me. Colonel Tilston, Victoria Cross. I never expected you here sir, but I am humbled by your presence. Thank you for being here. You have certainly enhanced this evening.

I assume you have heard the news. I have not gone. I am still here. And I will be here until the 31st of October.

When General Legge indicated to me that the Loyal Societies wanted to have a tribute dinner I had no idea what he was talking about. When I realized the General would be in charge I knew that it would be a magnificent evening. I wish to thank him and his committee, all of those participating, and you in the audience for making this a magnificent evening of pomp and ceremony. Let me tell you, I am going to miss this. I am going to miss "Your Honour." I am going to miss that grand limousine. As a Lieutenant-Governor I am going to miss you, the people.

As I sat here this evening many thoughts came to my mind and I want to share a few of them with you. I thought of my mother and father, particularly my mother who said, "Lincoln, you are a little black kid. You must go to school. Have faith in this country and go to school." And I did. And I became the Lieutenant-Governor.

I think of my beautiful wife of 43 years. I want to thank her for her love and patience and understanding. I don't know

how you did it, but God knows and I am grateful to you. I call you my first, my last and my everything. You can do no better than that.

I think of the Air Force. When I was a young fellow it taught me the value of love of country, confidence, discipline and hard work. That organization made me a man and I am grateful that I had the opportunity to serve my country. It gave me an opportunity to know what life was all about. I think of the people of Ontario and their many kindnesses and courtesies. I think of their encouragement and their support. From border to border, north to south, you welcomed me with open arms and because of all of this it made me want to continue to strive for excellence, to meet the every expectation which I knew was out there.

I think of the day on which my good friend the former Chief Justice Howland gave me again the wonderful opportunity to swear allegiance to Her Gracious Majesty. I have done that seven or eight times and that is part of what being a Canadian is all about - swearing allegiance to the Queen. We look for an identity that distinguishes us from others. Let us not forget that. My wife and I have had six wonderful years. No greater honour can be bestowed upon a person than being a representative of Her Majesty. I noted through my travels, over 4100 engagements, the acceptance of the Monarch, the acceptance of the Queen. I want to tell you that Ontario began loyal and loyal she remains, no matter what you may read or hear. Pride in the Monarch is a great tradition upon which this nation surged ahead, grew and continues to grow.

I have been moved by many people. I salute the power and the energy and effectiveness of volunteers. Most of you in this audience are volunteers, the life-blood of this province. I salute you for the concern and interest and energy with which you enrich the quality of life and enhance the image of this wonderful province of ours. The disabled have given new meaning to the words courage, strength, competence and dedication. It is a wonderful thing to watch them say "Never

mind my disabilities, look at my abilities. I can be a productive force." I look at our youth and I want to commend them for their excellence, enthusiasm, vision and energy. And I look at you who have served in the armed forces and still do serve. I must say I am delighted when I am invited to a change of command or when I am involved with the Cadets. They are upholding the great traditions that you fought for. They need your support. They need your understanding. The good works that are pursued by the countless thousands like you go unrecognized.

Let me mention one thing. When I thought about retiring I said, "Yvonne, lets start pretending we are rich. We'll go to Quebec City and stay at the Hotel Frontenac. I have friends who are with the Royal York. They make sure that I don't have to pay the top price." I went there and I realized the great contribution the Francophones have made and I experienced their warmth. Wouldn't it be disastrous if we lost that? It would be wrong if we did not now show tolerance, a new vision of nationhood, the ability to compromise and to accommodate. Canada needs Quebec and Quebec needs Canada. We, the Anglophones, must understand that this is not a time to dicker. It is not a time for embarrassing statements. It is a time for tolerance and understanding. We are at the crossroads. Spread the message. Let them know that you want them. Let them know that you appreciate them. Lets hope that they will be able to compromise. I have always been an optimist. I met a young man there and I said, "Sir how are things?" He said, "The young people believe in Canada." That's why I'm optimistic.

Ladies and gentlemen, there are fifteen or more Loyal Societies here. Many of you I know first hand, just like I know Sarah! Our paths have crossed at various functions and it is always a pleasure. Truly, Yvonne and I have been blessed. I worked hard to walk in the footsteps of my friend, Pauline McGibbon, who is the one who opened up the doors to this office. Give her the credit. That is when it all started. I had little choice but to search out excellence. Thank you, General

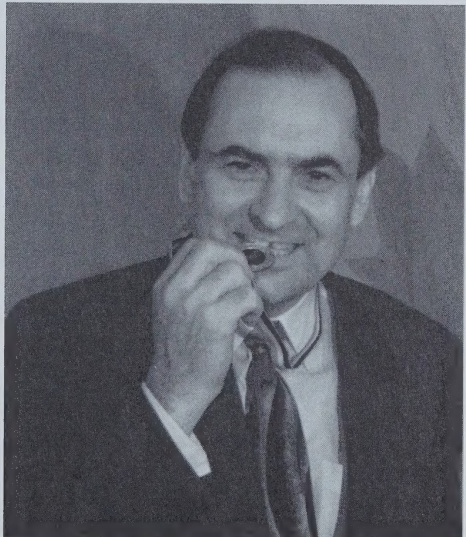
Legge, and all you who worked so hard to make this a success. I am deeply grateful. My heart is full. I am delighted I have another month to go because I love this work. In closing let my say I am singly honoured to stand here as Her Majesty's representative in and for the province of Ontario and to extend to each and every one of you every best wish and congratulations. Thank you for being here. May God continue to watch over and bless you.



*The Rt. Hon.
Brian Mulroney*

*Photo credit: Fed Lum,
The Globe and Mail.*

*Finance
Minister,
The Hon. Don
Mazankowski,
with "Olympic"
medal awarded
for his recent
federal budget.
Photo credit: The
Financial Post.*



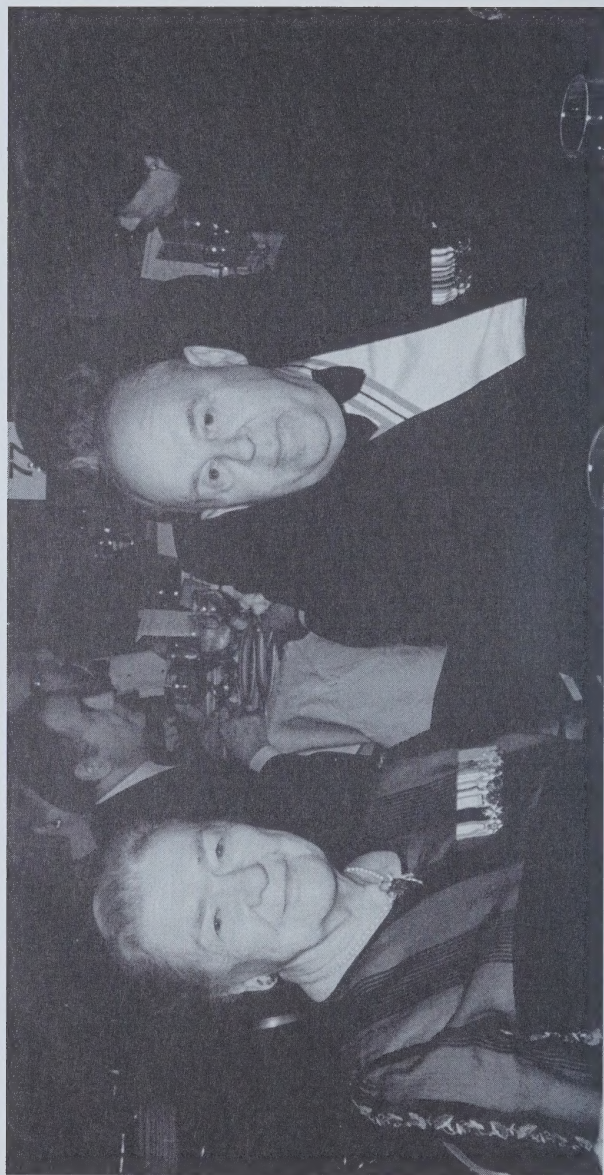
*The Rt. Hon.
Brian Mulroney
and Mila
Mulroney with
letter from
Alexander
Edmison, son of
Empire Club
Director, David
Edmison.*



*The Hon. Mr.
Justice John
Sopinka.*



Andrew Kniewasser (Investment Dealers Association) with guest speaker Preston Manning



Enjoying the Loyal Societies' Dinner: The Hon. Pauline McGibbon and former Chief Justice of Ontario, William Howland



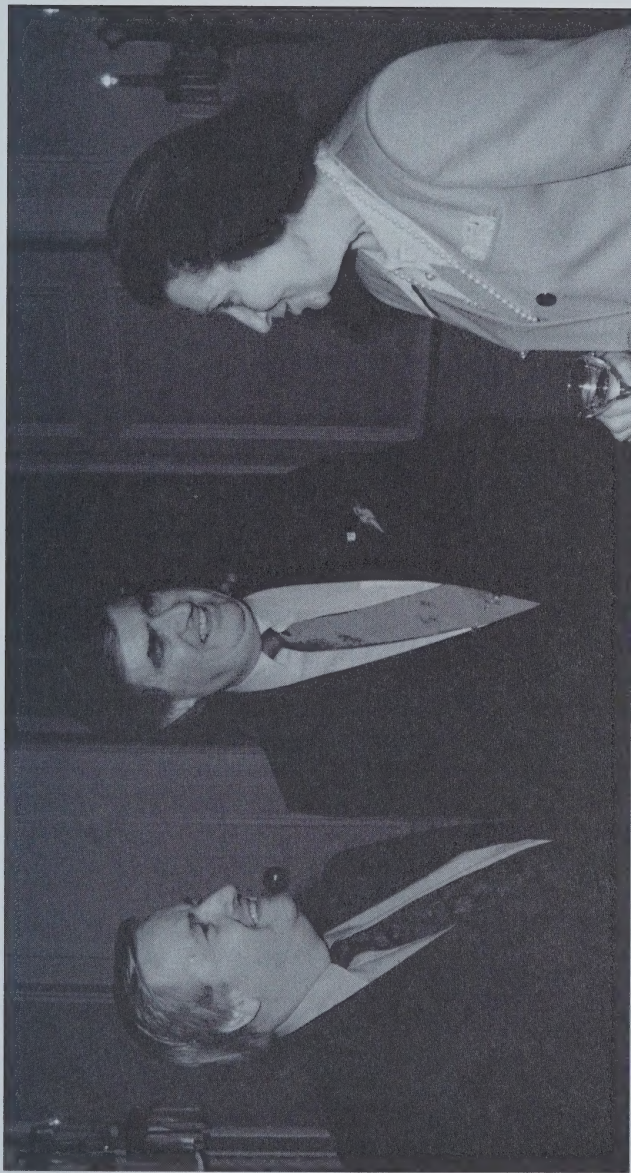
*Ontario Hydro's
Chair, Marc
Eliesen and
John Bankes.*



*Transport
Minister,
The Hon. Jean
Corbeil, with
pioneer aviator,
Max Ward.*

*Head Table guests
The Hon. William Davis
and Peter Munk
(American Barrick)*





The Hon. Jean Corbeil with Ron Lawless (CNR) and Empire Club Director Margaret Scrivener

*New Brunswick
Premier,
The Hon. Frank
McKenna. Head
table guests in
the foreground
include The Rev.
Dr. Doug Lobb
(Timothy Eaton
Memorial Church),
Vincent Kelly
(Royal Bank of
Canada), The
Rt. Hon. John
Turner and The
Hon. Lincoln
Alexander.*



*World Wildlife
Fund's Monte
Hummel and
Empire Club
Director, David
Edmison.*





Past President, Maj.-Gen Bruce Legge and Empire Club Director, Lt.-Col. Sandy Cameron.

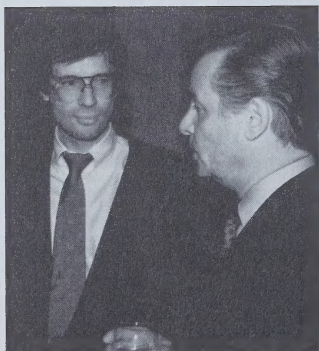
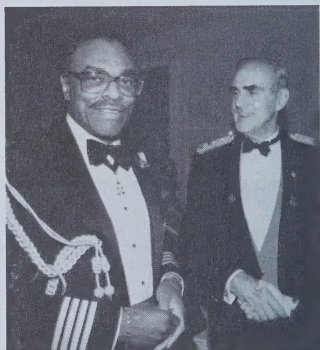


Guest speaker, Bill L'Heureux with head table guests, lawyer Anne Dubin and University of Toronto President, Rob Prichard.



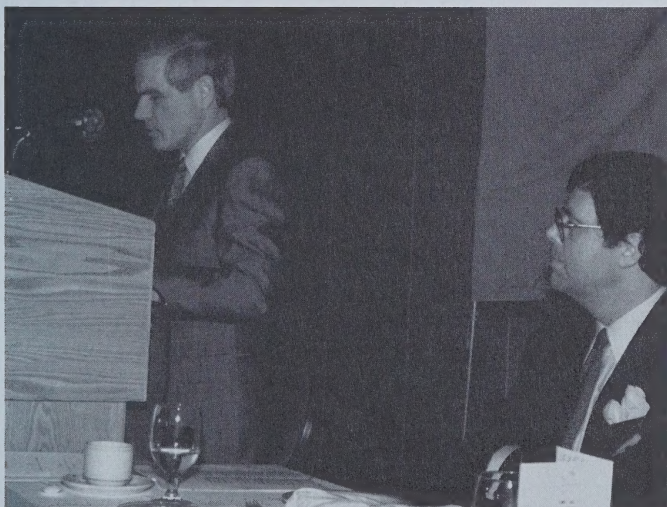
Past President, Catherine Charlton, with guest speaker, Senator Solange Chaput-Rolland.

The Lieutenant-Governors, The Hon. Lincoln Alexander, retiring Lieutenant-Governor, with his successor, The Hon. Henry N. R. Jackman.



Empire Club Director, Sam Blyth, with guest speaker, Peter Sutch.

*Empire Club
Director, Carlyle
Dunbar, with
guest speaker,
James O'Connor.*



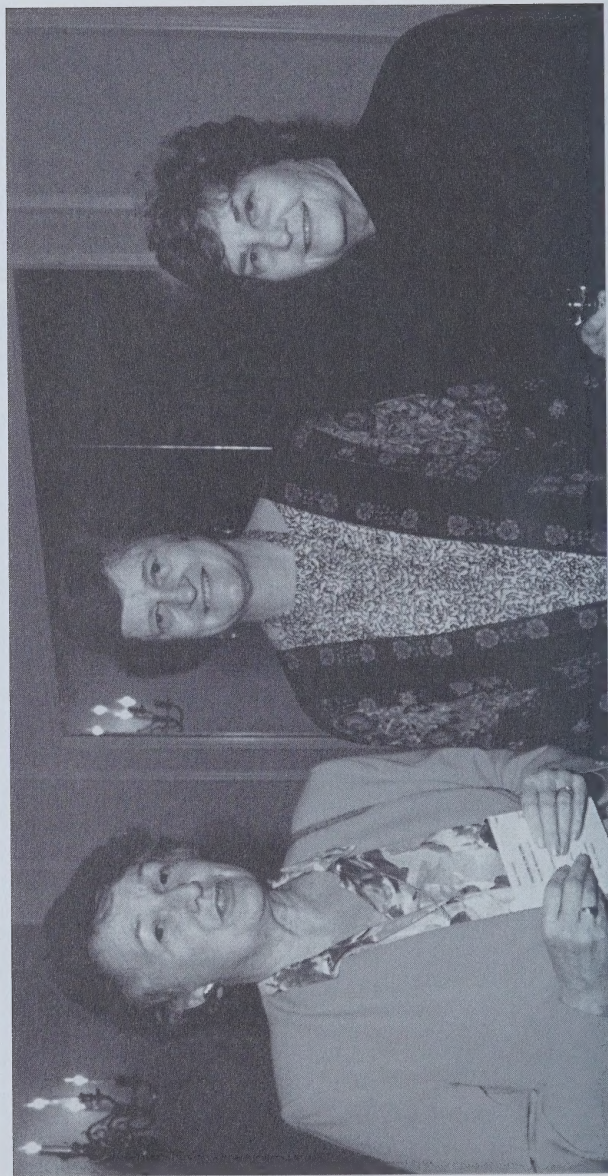
*Ontario Deputy Premier and Treasurer, The Hon. Floyd
Laughren.*

*Hon. Uffe Elleman-Jansen
greeting CIBC Vice
Chairman Frank Logan*





Guest speaker Allan Taylor sharing a light moment with Heather Reisman (Cott Beverages) and John Bankes



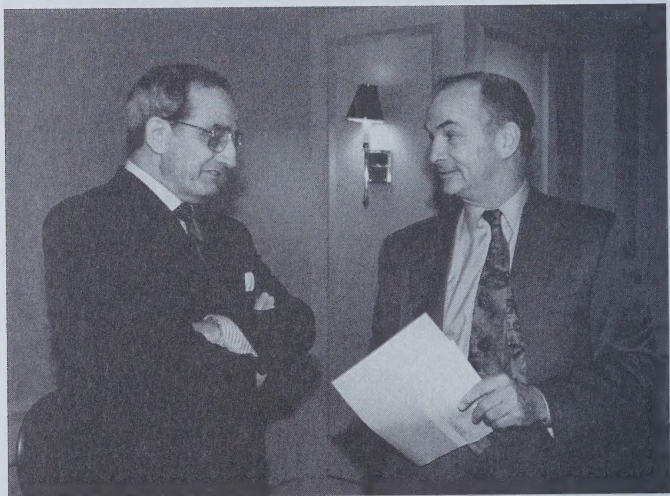
Guest speaker Margaret Visser with Empire Club Director Mary Byers (left) and Empire Club Past President Nona Macdonald (right)



*Empire Club Vice
President Hershell
Ezrin and Governor
William Weld*



*Empire Club
Administrator Anne
Lato*



*Guest speaker Arthur Mauro and Gordon Capital's James
Connacher*



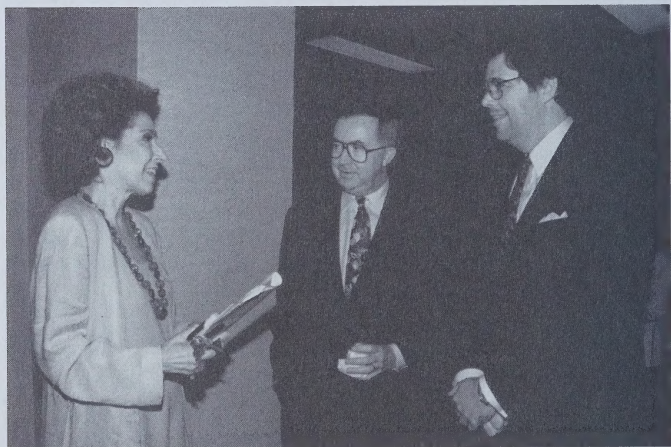
Head Table guests Rebecca Caine (Christine Daaé in Phantom of the Opera) and Pamela Gibson (Shearman & Sterling)



Head Table guest Joanne Ling (Metro Toronto School Board) and World Wildlife Fund's Monte Hummel



Governor William Weld and Past President, The Rev. Canon Harold Roberts.



Broadcaster, Barbara Frum and Empire Club President, John Bankes, with guest speaker, The Rt. Hon. Joe Clark.



*His Excellency,
The Rt. Hon.
Ramon J.
Hnatyshyn, wife
Gerda and
Empire Club
President, John
Bankes.*



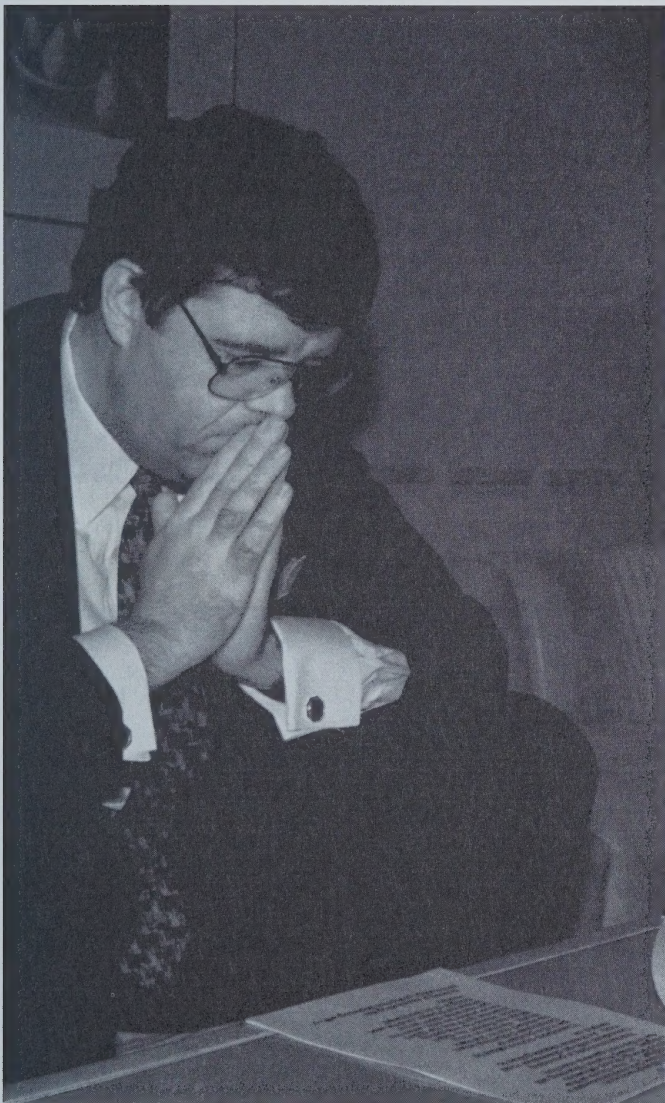
*McDonald's George Cohon with Coca Cola's Anthony
Eames.*



Guest speaker, Allan Taylor (right), with Jim Taylor, leader of the "My Canada includes Quebec" campaign.



Senior bankers celebrate launch of Dr. MacIntosh's book. Robin Korthals (Toronto Dominion), Al Flood (CIBC), Bob MacIntosh, Jeff Wieser (Manufacturers Hanover), Peter Godsoe (Bank of Nova Scotia), John Bankes, Michael Baptista (Royal) and Jim Johnson (Royal).

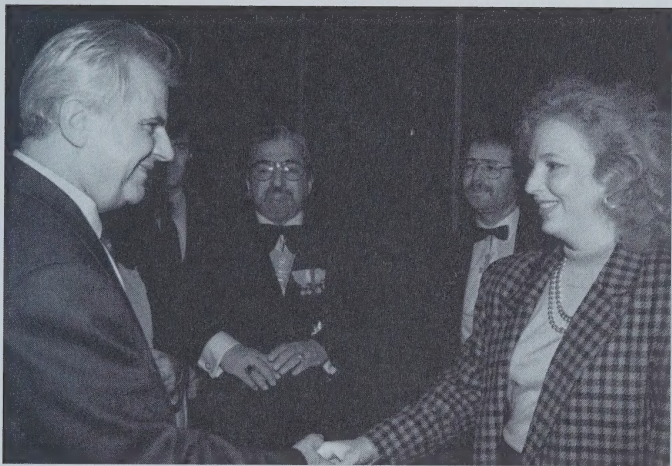


Empire Club President, John F. Banks, invoking the Muses in preparing introductory remarks.

Reform Party leader, Preston Manning, facing a press scrum following his Empire Club remarks at Roy Thomson Hall.



Guest speaker, Helen Sinclair, with Empire Club Directors, Tom Spencer and Peter Hendrick.



Leonid Kravchuk, Chairman of Ukraine, greets Empire Club Director, Maria Roman.



Past Presidents' Dinner, 1991.



Empire Club Vice President, Bob Brooks, with guest speaker, Mark De Simone.



Head table guests, Bonnie Stern and Anne Lindsay, with guest speaker, Margaret Visser.



Ontario P. C. Party leader, Michael Harris and former M. P. P., Susan Fish, with Manitoba Premier, The Hon. Gary Filmon.



His Worship, North York Mayor, Mel Lastman, with Empire Club Secretary, Willis Blair and Honorary Director, Clarence Crummey.

Guest speaker, Anita Roddick, with The Body Shop Canada's Margot Franssen.



Past Presidents, Sydney Hermant, Tony van Straubenzee and Sarah Band.



Empire Club Director, The Hon. Barney Danson, Canadian Pacific's Jim Hankinson and guest speaker, Dian Cohen.



Past President, Sarah Band, with The Rt. Hon. Joe Clark.

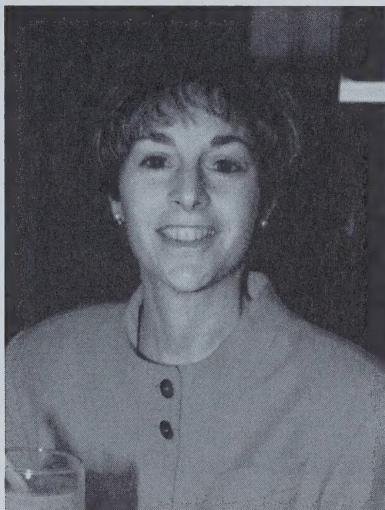


*Empire Club
Director, John
Campion, with The
Rt. Hon. John
Turner.*



Bank of Canada Governor, John Crow, with John Bankes.

*Guest speaker, Barbie
Casselman,
"Nutritionist to the
Stars."*



*Ernst & Young's Ron Gage (left) and ManuLife's Thomas Di
Giacomo (right) with guest speaker, Jack Masterman.*



The Rt. Hon. Joe Clark.

Photo credit: Canapress Photos.



Phantom of the Opera female lead, Rebecca Caine, John Banks, The Rt. Hon. Brian Mulroney and Empire Club Director, Eileen Mercier.

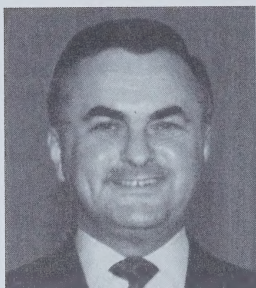


Empire Club Directors, Larry Stout, Marcia McClung and Bart Mindszenty, with Burston-Marsteller's Ross DeGeer and guest speaker, Lorraine McGaughey.

Minister of State for Small Business and Tourism, The Hon Tom Hockin.

Photo credit: Torstar.





September 23, 1991

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

His Excellency
The Rt. Hon. Ramon Hnatyshyn
Governor General of Canada

CANADA—TODAY AND TOMORROW

Introduction: Roland Lutes
President, The Canadian Club of Toronto

Ramon Hnatyshyn:

Distinguished guests, ladies and gentlemen:

As the representative of Her Majesty the Queen and as Patron of The Empire Club and The Canadian Clubs of Canada, I welcome this opportunity to speak to your organizations and to share with you my sense of Canada, now and in the future.

The fact that, together, you represent more than 20,000 leading citizens in communities across the country makes The Empire and Canadian Clubs national forces for a better, more informed discussion of Canada's most crucial contemporary issues.

That has never been more necessary than now, when Canadians are being asked to consider proposals for reshaping

ing our Constitution and, thereby, our relations with government and with each other.

In the past 20 months, I have been privileged to visit and talk to people in every part of Canada, from every social and economic sector, and from a broad range of backgrounds, experiences, and viewpoints. In fact, as Governor General, I get to meet Canadians as few people do in public life. It is my good fortune to participate in and celebrate the accomplishments of our brightest, bravest and best. Virtually each day I have the great honour to experience a deep sense of pride in the excellence of our people and the magnificence of our country.

On the basis of my talks with the representatives of nearly 70 countries, and after more than 200,000 kilometres of travel inside Canada, meeting people in nearly 50 different cities, villages, and towns, in all provinces and the territories, I have been left with several distinct impressions which I want to share with you today.

First, Canadians recognize the need for change, and they know there is a need to build a stronger Canada and to do so **now**.

The Canada we call ours today — the Canada that is the envy of the world, the beacon of hope in a time of great anxiety — is the result of our unique history. Without the aboriginal people who have been here for millennia, the French and English who arrived three centuries ago, and the millions of immigrants who have chosen Canada, we would have been a different — and, I think, a lesser — country. Without any one of them in our future, we would be diminished.

Second, Canadians recognize that we have reached a fragile moment, one in which we could lose an enormous amount — not through intent, but by accident or misunderstanding, through a failure to communicate openly and honestly with each other.

Third, Canadians care deeply about the future of our country. Whether it's Honfleur or Halifax, Québec City or the

Queen City of Regina, the vast majority of us want a united country, one in which constitutional issues have been settled on the basis of what is reasonable, just, and workable.

Evidence of that commitment to Canada is everywhere around us. In Québec City just three months ago, I met with the 225 men and women who participated in the 1991 Governor General's Study Conference. These leaders in business, labour and the public service had spent two weeks hearing the concerns of people in all regions and from all facets of Canadian society.

Their accounts to me were filled with a deep love of Canada, wonder at its diversity and at the ingenuity and vitality of its people. These were not inexperienced youngsters. They were accomplished individuals in the midst of successful careers. They spoke, earnestly and with great emotion, about how they had grown personally, how they had been enriched by meeting other Canadians, and by being exposed to regions and issues they might not otherwise have known.

This year at the annual garden party at Rideau Hall 20,000 people came, reflecting every region of Canada and the diverse backgrounds of its people. They came to enthusiastically affirm their love of this country and to express their strong desire that Canada remain together.

On my most recent stay in Québec, I had the chance to speak with an 85-year-old gentleman who, with tears in his eyes, described himself as a proud Canadian. Then he said, with great feeling, what I have been told repeatedly by many Québécois: "But if the rest of Canada doesn't want us, we will succeed on our own."

Internationally, heads of state and diplomats speak, almost without exception, about how blessed we are in this country, how much we have to offer the world and how important it is for us to fulfil our own great potential.

At this season in our history, it is essential that Canadians fully understand the issues we face. From our earliest days as a nation, there has been the possibility that we would not succeed in creating the kind of society envisioned by the pio-

neers — one in which differences are to be celebrated as much as similarities; where consensus, not coercion, is the foundation of action; where even geography and climate are to be challenged by people dedicated to building a nation.

We must keep in mind that the Confederation we celebrate each July 1 was the result of lengthy and delicate negotiations — negotiations that were initially unsuccessful. In the years since, we have weathered other crises and come out of them with a stronger belief in ourselves and a renewed sense of purpose.

The question is whether the Canada we have helped create is now big enough to encompass — not just its cities and mountains, its industries and resources — but the aspirations of all its citizens.

It is easy to love the enormity and the variety that so characterize our country, but our future will be decided by whether we care about all those who share it with us, whose histories, needs and concerns may be different from our own.

The best constitution in the world means little without the will of a people to breathe life into it. The hopes and goals of its citizens must be respected and supported before a constitution can transform a society and, itself, be transformed into more than rhetoric.

Can we do it? Certainly, there are daunting challenges. But we must resist the voices of divisiveness and the language of excess if we are to work together to solve the problems we now face.

I am not for a moment suggesting that we can speak objectively about Canada's future. When it comes to this country, objectivity is usually furthest from our minds: we love Canada and, inevitably, we think about it in emotional terms. But I hope that our feelings, however strong, will not trap us into the kind of rhetoric that obscures and inflames issues, rather than clarifying and enlightening them.

The media have a role, and a responsibility, in this matter. Canadians need complete and accurate coverage of constitutional issues and, by providing a thoughtful and responsible

perspective, the media can help us understand what is happening and how much is at stake.

We have seen how passions can be inflamed by the reports of desecration of a flag, or the booing of an anthem. While journalists cannot be expected to promote any one point of view, they hold enormous power within their hands, by virtue of the audiences they command and the trust they are given. That was evident at the time of the attempted Soviet coup, which might have had a very different outcome without the international searchlight provided by the media.

The desire for a free press, which we all share, requires a sense of duty, not just to stockholders or to an audience, but to the community as a whole.

The environment is highly charged and the role of the media in that environment is critically important. Today, more than ever, the media must bring a sense of balance to the coverage of events.

This is not to say that the rest of us have no obligations in shaping the future of our society. At this moment in Canadian history all of us must ensure that we understand the debate about our future.

We must realize that our belief in ourselves as a generous and reasonable people is being put to the test. In his book, *The New Russians*, Hedrick Smith quotes a parable in which God comes to a lucky Russian peasant one day and offers him anything he wishes. "Just remember," God says, "whatever you choose, I will do twice as much for your neighbour as I do for you." Unable to bear the idea that his neighbour will be better off than he is, the peasant tells God: "Strike out one of my eyes."

Are we, as Canadians, so fearful that anyone else's win is our loss that we would rather give up something precious and essential, just to ensure that no one else could be perceived as getting more?

We cannot afford to remain aloof from the constitutional debate. Refusing to be involved is, in itself, a decision — the wrong decision. We cannot go blindly into the future, leaving

the field to those who would divide Canadians into “us” and “them.”

We must both accept the past and reach beyond it, beyond our local and regional concerns, beyond old grievances — real and imagined — to continue the task of building a better country. Clearly, the time has come to be generous, because Canada has been generous to us.

If we can speak to and about each other in an atmosphere of respect; if we acknowledge and adhere to Canada’s abiding values of civility, empathy, and generosity — we have a future together.

So, in the days ahead, let us pledge ourselves to listen to each other patiently, speak to each other clearly, think about ourselves and each other charitably, and reaffirm our dedication and commitment to this great country resolutely.

It is up to us to act, for our country, for ourselves, in honour of those who came before, and for the benefit of those who will follow.

Thank you.

The appreciation of the meeting was expressed by John F. Bankes, President, The Empire Club of Canada.

In 1982, Pierre Trudeau promised Canadians a constitutional rose garden, with a home-grown Canadian amending formula and Charter of Rights. And a rose garden it turned out to be! In 1991, as *The Globe and Mail* reminded us last week, we find ourselves scratched and torn amidst the blooms of full national independence.

The very survival of Canada is in question as Ottawa completes its latest proposals for constitutional reform to be released tomorrow. The turbulent process that led to this climax has set other powerful forces in motion demanding radical change, from parliamentary reform to aboriginal self-government.

Sadly absent from the debate is a clear appreciation by most Canadians of what they have built over several centuries, a shared commitment to common ideas, or much evident concern for the consequences of national disintegration.

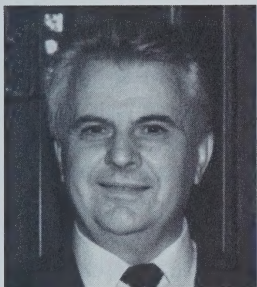
The office of the Governor General has been one of the few constants in the building of a strong and united Canada. Your Excellency, your unambiguous endorsement today of a strong unified country is a clear signal to all Canadians, expressed at a time

when public cognition and contempt for politics threatens the very legitimacy of our democratic institutions.

The role of Governor General has never been an easy one. The Marquess of Lorne — Governor General between 1878 and 1883 — once observed that as Governor General “you must have the patience of a saint, the smile of a cherub, the generosity of an Indian Prince, and the back of a camel.”

The role of Governor General has changed just as the nature of Canada has changed. Your Excellency, one of your predecessors described his duties as being mere “governor generalities.” The position of Governor General has, of course, become much more than that. Your remarks today demonstrate your involvement and commitment to the process of constitutional reform.

On behalf of The Empire and Canadian Clubs, I want to thank you for sharing your thoughts on the subject of Canadian unity with us today.



September 24, 1991

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

His Excellency Leonid Kravchuk

Chairman of The Supreme Rada of Ukraine

A VIEW FROM KIEV

Introduction: Roland Lutes
President, The Canadian Club of Toronto

Leonid Kravchuk:

Ladies and gentlemen, I want to greet the representatives of Canadian business who are interested in establishing contacts with Ukraine and to express my deep appreciation for the opportunity of speaking to you today.

It's a great honour for me to talk to the people who are steering the gigantic ship of business, to the people whose acumen and talent for entrepreneurship determine the main lines of development of the economic basis of society, welfare and prosperity of millions of people all over the world.

The fact that we live in a world which has been cardinally transformed is of great significance.

The primacy of law and humanitarian values is getting a firm hold, Cold War systems are collapsing, and elements of a new world order are emerging in the countries which have taken their stand and have taken the path of radical reforms.

Ukraine has also taken this path, for it sympathizes with the peoples that strive for peace, justice and freedom.

The reconstruction processes in Ukraine, their potential significance and orientation to the future have found their most concentrated expression in the declaration of national sovereignty adopted by the Ukrainian Parliament in the summer of 1990 as well as in the August 24, 1991, Act of Independence of Ukraine. These documents, which are of vital importance for us, have proclaimed the formation of an independent democratic State of Ukraine, the supremacy, absoluteness and inviolability of the bodies of state power in the Republic, and guaranteed the exclusive right of the people of Ukraine to access to its national riches.

The sincerity of our intentions and the seriousness of our actions aimed at the creation of a truly democratic society can be proved by the fact that several amendments have been introduced to the Constitution of Ukraine. These amendments will make a reliable legal basis for the functioning of a multi-party system and a multi-structure economy.

The process of the formation of an independent republican legislature is going on. All levels of state administration are being restructured to create necessary conditions for the triumph of democracy and free market relations in Ukraine. Very intensive work on establishing all structures necessary for a modern state, which ensure its security, is under way.

The declaration also says that in the sphere of international relations, Ukraine, being a subject of international law, shall exercise direct bilateral relations with other countries, shall become party to treaties and exchange diplomatic missions. We have an unwavering intention of developing those relations, the economic ones in particular, with the Republics of the former Soviet Union and the countries of Eastern and Western Europe, and of becoming a full-fledged and esteemed member of the world community.

Being a member of the founders of the United Nations, Ukraine is ready to invigorate its contribution to further enhancing the prestige of this highly honoured organization,

to help to strengthen international security and to avert the threat of a nuclear war.

As you all know, several types of nuclear weapons are located on the territory of the Republic. This placement is temporary, their removal is only a matter of time, though it may be a rather lengthy period of time. But guided by the principles of our declaration, we consistently emphasize our intention of becoming a neutral nuclear-free zone and we are ready to participate in negotiations on the reduction or elimination of nuclear arsenals at all levels.

To be frank, not everything that has been proclaimed will be easily translated into life. We are only junior students of democracy, but we are honest in our appreciation of everything progressive that has been accumulated by other countries in this sphere.

Thus, the declaration of independence is a road sign in the process of the creation of a democratic lawful state and the full-fledged political, economic, social and spiritual development of the Ukrainian people. Spiritual, for the gospel reads: "For what shall it profit a man if he shall gain the whole world and lose his own soul?"

But you are businessmen and have to be pragmatic. You have every reason to ask me if there is a place for Canadian business within all that has been mentioned.

Let me be honest, for honesty is the best policy. A lot of representatives of business quarters have already visited Ukraine. We can see instances of worthwhile and fruitful co-operation. But most of those who represent financial institutions, industrial concerns and trade firms show restraint.

And we can understand the reasons for their and your doubts. We are well aware of what prevents us from working more effectively for the benefit of all parties concerned. I'd like to dwell on some of the most important issues.

First of all, we are in a very complicated political situation, with signs of instability and prospects of possible national

conflicts in the former USSR. And the levels of this “instability” are different for different regions of the Soviet Union.

Present-day Ukraine is living through a transition stage of its political and socio-economic development. It is characterized by a radical democratization in all spheres of our social life, the appearance of numerous new political parties and social groups.

But the main feature of our day is that all political forces in the Republic are united by one great idea — the idea of the sovereignty of Ukraine — and the aspiration of being master of one's own life.

The majority of the Ukrainian people had their say in favour of the creation of a free democratic lawful society, thus giving credentials to the supreme Soviet.

Taking into account the wish of the people, the Parliament and the Government of the Republic is paying great attention to the problem of international relations, maintaining concord amongst the representatives of all nations that make up the Ukrainian community. The absence of acute ethnic conflicts in Ukraine manifests a balanced approach of all major political forces to the problem of inter-ethnic relations. And I'm sure that the policy of mutual understanding and tolerance will last.

Secondly, there is also an economic instability, an absence of a legal basis and the “war of laws” — a favourite subject of the media both in Ukraine and here in Canada.

Although economic instability is definitely present today, I will not divert your attention and analyze the reasons for it. I will just say that both the Parliament and the Government are sparing no efforts to solve this problem.

A reliable juridical basis is being formed in the Republic now. Among the documents which have been adopted by the Ukrainian Parliament for that purpose are the law on economic independence of Ukraine and the concept of a change to a market economy, laws on prices and price formation, the budget system and entrepreneurship, land laws, and many others. These laws have already started regulating the

national economy of the Republic in its transition to the market economy and international division of labour.

As for the problem of the "war of laws," which, unfortunately, is a manifestation of the "law of war," or as you say, "the law of the jungle," we are trying to solve it on a horizontal plane, by signing inter-republican economic agreements and thus harmonizing the interests of all the Republics of the Soviet Union.

The third factor which hinders the development of economic relations is the need of guarantees of Western investments and the non-convertibility of the ruble.

In this context I would like to say a few words about our law on foreign economic activities. This law ensures legal regulation of all kinds of trade activities, economic, scientific and technological co-operation, and credit and other financial operations.

Proclaiming the principles of free foreign economic entrepreneurship, juridical equality and non-discrimination, this law ensures equal protection of all subjects of foreign economic activities and foreign subjects of economic activities on the territory of the Republic. The law guaranteeing foreign investments in the national economy has been adopted by the Supreme Rada of Ukraine this month. As to the non-convertibility of the ruble, I'd like to tell you that Ukraine intends to introduce its national currency. Ukraine is not going to repudiate its share of the all-union debt, but in the future it will recognize only first-hand credits.

A fourth group of problems is connected with the lack of a proper economic infrastructure in Ukraine. You are quite right, there is no infrastructure as you understand it, but there is a nation of clever and industrious people, there are highly qualified specialists and, what is really important, there is a thirst for a new life. So let us work together to our mutual advantage.

Quite a number of interesting suggestions from our Western partners have been made of late, and we have to act quickly because there is no time left.

We know that there are outstanding bankers, managers and owners of companies among the representatives of the Ukrainian community here. Does this mean anything for present day independent Ukraine? Yes, it does. It means a new powerful source of experience and knowledge, and new contacts.

Of course we have to solve our problems ourselves. No foreign injections will reanimate our inefficient economy, but external business assistance is capable of helping it out of this state.

Canada and Ukraine have been maintaining reciprocal relations for a long time now. And we remember that Canadian Ukrainians, members of various governments and businesses, helped us establish these relations.

They are all aware of their origin and descent, their Ukrainian identity. Our members of Parliament, scholars and writers testify to this fact. They are looking Ukraine in the face. And we are grateful to them for this.

Canadian-Ukrainian co-operation is entering a new phase as ties broaden between our two countries. I hope you will participate and act as mediators in the establishing of mutually beneficial economic and trade contacts between businessmen, state institutions, and companies.

We are all of us united by our love for Ukraine. I would like to end my brief speech with the words of our poet Taras Shevchenko:

“And send to all of us on earth accord of mind and brotherly love.”

The appreciation of the meeting was expressed by John F. Bankes, President, The Empire Club of Canada.

As President of The Empire Club, I am pleased to express the thanks of this meeting.

My impression is that someone recently pressed the fast-forward button on history. This acceleration has been particularly evident in the recent events in what we used to know as the Soviet Union.

Today, we have been honoured by the presence of a man — and his wife Mrs. Kravchuk — who is integrally involved in these

dramatic events. He has first-hand involvement in two of the recent dramatic occurrences, the transformation of a political system and the re-creation of a nation.

Winston Churchill once described the Soviet Union as "a riddle wrapped in a mystery inside an enigma." Well, that riddle has begun to unravel. On September 2nd, Mr. Gorbachev, Mr. Yeltsin and the leaders of nine other republics announced a plan to create a loose confederation of "sovereign states" within a "common economic space."

A revised version of this plan was eventually passed by the parliament. But it still left many questions unanswered. Today, from Mr. Kravchuk's remarks, we have gained important insights into how it will evolve.

As we watch the disintegration of the Soviet Union and the attempt to cobble together a new system based on the separate republics, we wonder whether such a hybrid can work. How can a mosaic of states have an effective material economy? A foreign or defence policy? As chairman of the Verkhovna Rada (or parliament) of Ukraine, Leonid Kravchuk will play an important role in a political and economic upheaval that all Canadians are anxious to better understand.

"Ukraine is not dead," proclaims the Ukrainian national anthem. A more accurate lyric might have been: "Ukraine is not yet borne." Over the past 100 years, Ukraine has enjoyed only a few months of statehood (in 1918) and before that the most recent episode of Ukrainian independence was in the 17th century. On August 24 of this year, however, Ukrainians declared independence again; this time, they intend to make it stick.

In the aftermath of the Ukrainian declaration of independence, it is appropriate that one of the first foreign visits made by a leader of Ukraine should be to Canada. There is a close bond between Canada and Ukraine, in part, because of the enormous contribution that has been made to the growth of Canada by the Ukrainian people.

Ukrainian-Canadians played an enormous role in opening up the Canadian West. Canadians of Ukrainian heritage have made important contributions to the development of Canadian institutions — political, social, business and cultural.

Moreover, Ukrainian-Canadians have consistently demonstrated their patriotism as Canadians, while steadfastly maintaining their love for Ukraine. There is a deep relationship between the Ukrainian-Canadian people, and the Ukrainian cause.

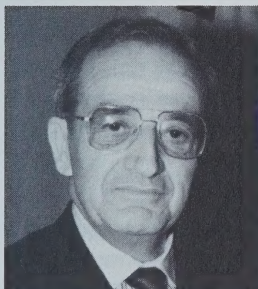
It should be no surprise that political dissident Valentyn Moroz chose to settle here after his release from a Soviet prison camp. As he told a group of Canadians of Ukrainian descent in a message soon

after winning his freedom: "You have managed to retain your identity, your language, your culture, and your heritage."

All Canadians are proud of that.

Mr. Kravchuk, thank you for addressing this meeting of The Empire and Canadian Clubs. As Canadians, with our own political factions, we will watch with particular interest the disintegration of federations in Europe, and the emerging independence of new republics. We compliment you on your historic achievements to date. And we wish you good luck in leading your people to their promised land.

Thank you.



September 26, 1991

Arthur Mauro

President and CEO, Investors Group Inc.

THE FINAL DECADE: THE OUTLOOK FOR CANADA

Introduction: John F. Bankes
President, The Empire Club of Canada

Two days after the release of the Federal Government's proposals for reform of our national Constitution, the question of where Canada will be at the end of this century is on the minds of many.

It is ironic that Canadians should be in the midst of this discussion and debate now, in the last decade of the century that Wilfrid Laurier claimed for Canada. The topic for today's speech, *The Final Decade; The Outlook for Canada*, is both timely and appropriate.

In preparing his remarks for today, our speaker Arthur Mauro drew upon the research of the Gallup Poll organization to get a sense of what Canadians think of ourselves, our country, and our future. The context of his remarks is the economic and political challenges facing Canada.

In the midst of the internal debate Canadians are involved in this week, it is important to keep in mind that Canada is still very much part of our world and our times.

Indeed, it would be worthwhile to remember the words of a leading Canadian banker of the early part of this century, Sir Edmund Walker, who said in 1912:

Amidst the happy optimism which pervades Canada at the moment, we often hear that the twentieth century belongs to Canada. What is true, however, is that Canada belongs to the twentieth century. There is little doubt that for good or ill we shall be shaped in our destiny by the twentieth century.

And, in 1991, there is little doubt that we will be shaped in our destiny by the final decade of this century.

And quite a decade it's shaping up to be! The decade of the '80s was characterized by conspicuous consumption, environmentally toxic excretions, greed and a variety of miscellaneous excesses. Richard Darman, former director of the Office of Management and Budget in the U.S., in describing the 1980s, used the phrase "now-now-ism" to describe accurately an obsession with getting quick results at the expense of long-term considerations. By contrast, the '90s are beginning to look like the 'wait-and-see' decade. It's an era characterized by caution — by looking ahead instead of charging ahead, by people being less concerned about having more today than they are about having enough for tomorrow.

In such times, our speaker's thoughts respecting the challenges facing Canada stand to attract considerable interest. Mr. Mauro brings an extensive portfolio of experiences to the task. He is currently Chairman, CEO and President of Investors Group Inc., a Winnipeg-based public company serving more than 400,000 clients and administering over \$13 billion in assets — one of the top 20 mutual fund managers in North America.

This is actually Mr. Mauro's second career, having been a practising lawyer for 16 years. Aside from everything else we may learn from Mr. Mauro today, it will undoubtedly be comforting to many to have it confirmed that there is indeed life after law.

Graham Greene once wrote: "There always comes a moment in time when a door opens and lets the future in." I look forward to Mr. Mauro's perspective on the decade ahead — and more to the point, what we might be able to do to prepare for it. As Peter Drucker once observed: "Long-range planning does not deal with future decisions, but with the future of present decisions." In making our present decisions, we will want to have the benefit of Mr. Mauro's thoughts regarding the kind of nation Canada will be and the kind of world it will inhabit at the end of this decade.

Please welcome Arthur Mauro.

Arthur Mauro:

As indicated in my introduction, I am the Chief Executive Officer of Investors Group. Last year we celebrated the completion of our first half century as a Canadian corporation. This major corporate milestone provided an opportunity to look back over the past half century and consider the new challenges that confront all of us as we enter the final decade of the Twentieth Century.

The past 50 years were truly amazing. When you recall that 50 years ago France had fallen. We had experienced the disaster and triumph of Dunkirk — the Battle of Britain had begun and the Nazis were massed at the channel ports.

Fifty years later Germany is once again united. Communism is in total disarray, Russia and the United States are racing each other as to who will disarm more rapidly, and assuming that sanity prevails in the Middle East, we may experience an outburst of peace, not experienced since the Pax Romana. Perhaps we are entering a new era of the Pax Americana.

During the past half century, in spite of cyclical ups and downs, we in Canada have experienced unprecedented growth and improvement in our standard of living. And, perhaps no where is there a better example of that progress and growth than here in Toronto.

Each of the past five decades has presented its challenges and its opportunities, its fears and hopes. We have adapted, confronted the problems — accepted the challenges and survived stronger than before.

But that is history. What of the future? Experience suggests that the decade of the '90s will witness a repeat of economic cycles and political change.

Among the major issues that will dominate the final decade of the twentieth century are:

1. The Environment,
2. The New Europe,
3. Domestic Restructuring.

The Environment

Perhaps no single issue has created such a massive shift in public opinion during the past 10 years than that of the environment. What in the '70s was a somewhat esoteric movement that seemed to evolve from the flower children of the '60s has become a world-wide concern. There is a growing realization that we are only life tenants on this planet and unless we deal with environmental imperatives the terms of our tenancy may be drastically revised.

While there is general agreement that something must be done, we have not yet come to grips with the economic costs of past abuse and future remedial action.

The indicated costs of some recent proposals submitted by President Bush range from \$22 billion to \$104 billion. A variety of economic measures are being actively discussed ranging from the granting and trading in licences to pollute to the fixing of fees or taxes reflecting the polluting impact of a specific activity.

Whatever the final numbers, the fact remains that if we desire the benefits that flow from sustainable development and reduced pollution, we must accept the costs.

Environmental protection will result in higher prices and the possible dislocation of enterprise, but with each challenge there will be investment opportunities that will reward the enterprising company.

We manage the largest mutual fund based on environmental concerns — total assets now exceed \$85 million.

As companies realize that good environmental practices are good business, funds will flow into the market to assist in restructuring.

The New Europe

The second issue which will influence events in the '90s, will be that of Europe. The move to a virtual economic union in 1992 and the dramatic changes that have occurred in Eastern Europe and Russia are unprecedented.

While uncertainties create risk, the opportunities in meeting the consumer demand of Eastern Europe and Russia, present the greatest opportunity for expansion since the Second World War. However, the economies of the Eastern Bloc and Russia are particularly fragile and require varying degrees of assistance. In the case of Russia, there must be fundamental restructuring and immediate economic assistance.

The task that confronts us is comparable to that which Europe and Japan faced following the Second World War. Having won that war, the United States was determined to win the peace with one of the most magnanimous and far-sighted policies — namely the Marshall Plan.

This time, the burden can not rest on the United States alone but must involve to a large degree the European community and Japan. Europe and Japan were major beneficiaries of U.S. policy after the Second World War. They now have an obligation and a direct interest in promoting stability and growth in Eastern Europe and Russia.

A number of arguments have been raised against such a program: The cost of the undertaking, the tentative steps taken by Russia towards a market economy, our innate distrust of a government whose fundamental political philosophy remains Marxist in nature. As one U.S. Senator stated at a symposium I attended in Washington:

“Pray for Russia, but don’t pay for Russia.”

I suggest that it is imperative that we offer something more than our prayers. There must be tangible evidence that the industrialized nations are prepared to assist in the transition from 70 years of centralized state control to the risks and the rewards that come from a democratic market-driven system.

No one is suggesting that such a plan be a blank cheque. In fact, it will be important that conditions relative to currency convertibility, privatization, and human rights, form part of a package that would affix time periods for achieving established goals.

It is important that we take action that provides hope for the Russian People and supports political leadership striving to introduce democratic reform. Surely if we can find the will and the means to wage war, we can find the leadership and purpose to secure the peace.

For some 52 years since 1939 we have managed to survive hot wars and cold wars. If we can manage to survive peace the future is indeed bright.

Domestic Restructuring

On the domestic scene, we in Canada face the double strain of both economic and political restructuring. Our economic restructuring has, in many cases, proved to be unsettling and costly. But this is not unique to Canada. Every industrialized country is experiencing the loss of manufacturing jobs to lower-cost economies. Our future lies not in resisting the inevitable, but in reshaping our economy to meet the changes engendered by the global economy.

We must recognize that the protective cocoon we Canadians have woven to shield ourselves from competition, from economic distress, and social change, has been penetrated. New technology, a changing marketplace, and the emergence of a global economy are factors to which no nation and no economic system can remain impervious.

Canada's social and economic agenda will be impacted by demographic trends. Canadians as a group are growing older. The proportion of those aged 65 and above has more than doubled since 1921, rising from five to 11 per cent of the population.

Young people aged 19 years and under are proportionately fewer today than 60 to 70 years ago.

During the decade of the '90s those of middle age will be the fastest growing segment of the population. This middle-age generation, by all financial measures, is the wealthiest in our history.

Those who entered the work force at the turn of the century, spent a large part of their earning years in the lean '20s

and the depressed '30s. For those of us who entered the labour force after 1950, the situation has been dramatically different.

Our working lives have been spent in an era of extraordinary economic growth. Over the past four decades — a period equal to the work life of most individuals — real per-capita disposable income has risen by 181.4 per cent.

As a result of current trends, we may be confronted with a new demographic and economic structure. An aging population. A relatively secure middle-class and reduced opportunities for our young people.

If we are to meet the challenges confronting us, there must be economic restructuring and political stability.

Many Canadians have the attitude that benefits belong to the people while deficits belong to the government. There is an apparent unwillingness or inability to accept the fact that we must either consume less or produce more.

In light of limited funds, we must establish priorities in government programs or we will be compelled by external forces to correct our fiscal irresponsibility.

It is within this context that the continuing turmoil of the post Meech Lake period must be resolved. The rest of the world will not afford us the luxury of endless domestic squabbles.

It is imperative that our political leaders accept their responsibility and so conduct themselves that the nation is preserved and that critical economic questions are addressed.

It has been said that those who refuse to read history are condemned to relive it. This would appear to be a danger we face in Canada. The Fathers of Confederation were confronting serious economic pressures and the very real threat of the United States. They realized that as separate economic and political entities they could not survive. And, while they were determined to cease being British Colonies, they were just as determined that Canada would not become a colony of the United States.

Those men accepted a seemingly impossible challenge. A new nation was created in 1867 and policies were developed to occupy the vast lands to the West and to preserve a separate identity in North America.

Unless the economic and cultural problems of various sections of Canada are approached in a spirit of understanding and goodwill, we will be compelled to repeat those trying days of the 1860s with all the rancor, political confrontation and social unrest that such confrontation must produce.

I am particularly concerned today because since the rejection of the Meech Lake Accord a corrosive anger has developed across this country. No longer do we talk of compromise or conciliation, but rather of confrontation.

Anthony Hampson in an article, Canada needs tolerance and less finger pointing, commented on the current public mood:

"Most of all there has been a frightening rise in the 'sore loser' phenomena with groups or individuals that do not get their way resorting to fundamentally undemocratic tactics in attempts to overthrow earlier decisions or wreak revenge on those they hold responsible for them."

He went on to say that if we do not repair these flaws in our national psyche: "We will put at risk not only our economic and social welfare, but our very future as an independent and democratic country."

We are in danger of becoming a nation of whiners, constantly blaming others for our failure. Virtually every day we see another addition to our litany of complaints. We are against constitutional change, we are against the GST, we are against high interest rates and we are against free trade. We are against a high Canadian dollar.

But when will someone speak out for what we stand for as well as what we are against? Where is the asset side of this balance sheet? The list of blessings that we enjoy as citizens of the country. When will we begin to acknowledge the freedom, the opportunity, the social benefits, the incredible

achievements of a young country with a diverse and dispersed population?

We have created here in Canada something unique. Perhaps we lack emotion in the expression of our patriotism, but there is no less a love for this land and the quality of life that it has provided.

It is imperative that we Canadians begin the process of reassessing our national core values. The failure of Meech Lake and the new constitutional proposals must be viewed as an opportunity to redefine the fundamental aspirations of our People and put in place the political structures to achieve these goals.

Each of us, individually and in organizations such as yours, have an obligation to speak out in defence of this National Dream. I hope that we will view the recent past as that dark moment before the dawn. That the divisive spirit evidenced in the Meech Lake dispute will not be repeated. That we will never again see government officials negotiating with armed, masked men, as we did at Oka. That we will never again see our Senate turned into an assembly of unruly and undisciplined children.

That in addition to hearing on a daily basis a demand for individual rights, we will begin to acknowledge individual duties. That we will come to realize that if we expect the law to protect us we in turn must respect the rule of law.

I raise these issues because it is time we stood up, not on behalf of our narrow, regional, or provincial interests, but on behalf of this country. We need a leadership that points the way ahead to the broad upland of hope and away from this valley of despair.

We must reject out of hand both those in Quebec who say that Quebec can go it alone and those in the rest of Canada who say let them go. This is the counsel of despair. It can lead only to economic uncertainty and political turmoil.

We should make it clear that the creation of Canada in 1867 was not a term contract. It was not a treaty between nations. The British North America Act of 1867 took four sep-

arate provinces — colonies of Great Britain — and created a new nation, and no part of that nation can unilaterally secede.

The existing Constitution is a dynamic instrument not frozen in time. It provides the flexibility to adapt current political and economic structures to meet the just demands of the provinces.

Let us discuss intelligently this question of provincial sovereignty. But, let us define what we mean by sovereignty. Our Constitution, for example, provided exclusive jurisdiction for the provinces in specific areas such as education and health. In the case of Quebec, special status was granted to its language and its civil law. There is no difficulty in providing a constitutional framework within which a province can exercise the sovereignty granted to it under our Constitution. But the role of a strong central government in defining goals and national policies remains essential.

Two days ago, the Prime Minister presented new constitutional proposals which provide another opportunity to redress long-standing grievances that have been identified in our political and economic structures. By all means, let's have another national road show. Let's openly discuss the proposals and suggest alternatives. But, if we are really concerned with the future of this nation, let us finally resolve the constitutional issues and get on with other problems which demand immediate attention.

Certainly this decade and the new century will present challenge, but my message is one of opportunity and encouragement. Recently our company retained the Gallup organization to conduct a survey of Canadians regarding their hopes and aspirations for the future. We learned that the youth of this country have lost none of their optimism about life in Canada. They remain committed to this country and have high hopes for the future. While we may be unable to fulfil all of those hopes, we have the obligation to provide political stability and economic opportunity.

The future will present difficulties. But, these are the same difficulties Canadians have faced and overcome many times

in the past. This land we call Canada remains strong — but do we the People have the strength of will and the dedication to nation building that this country and its youth have the right to expect? I think we do, and it is on that basis that I am certain that a united Canada will prevail and that this noble achievement in nation building will be sustained.

The appreciation of the meeting was expressed by Peter Hendrick, Vice President and Director, Wood Gundy Inc., and a Director of The Empire Club of Canada.



October 3, 1991

Anita Roddick

President and Founder, Body Shops International

WE DO IT OUR WAY

Introduction: John F. Banks
President, The Empire Club of Canada

There is something in October sets the gypsy blood astir.

William Bliss Carman

Theodor Seuss Geisel, the beloved master of rhyme and doodle who, as Dr. Seuss, wrote such whimsical children's classics as *The Cat in the Hat* and *How the Grinch Stole Christmas*, passed away last week. He was 87.

His works, which attracted a 1984 Pulitzer Prize for his contribution to children's literature, were journeys into magical worlds of truffula trees, ziffs and zuffs, nerkles and nerds, where top-hatted cats run rampant through youngsters' homes while goldfish scold. But they often included subtle messages on issues from internationalism to concern for the environment.

Our speaker today, Anita Roddick, has recently authored a book with a message which also journeys into magical worlds — but different worlds than those of Dr. Seuss. In *Body and Soul*, Anita describes her encounters with the Kayapo Indians of the Amazon Rainforest and her time spent on the Sahara Desert in Africa with the Wodaabe people, a nomadic tribe which has survived in the desert for more than 2,000 years despite living constantly on the

brink of starvation. She also recounts her Trade Not Aid trips to Katmandu in Nepal.

Body and Soul, however, is far more than a travelogue. Although much of the text relates to the founding, the growth and the culture of Body Shops International, it is — by Anita's own admission — not a conventional autobiography nor a conventional business text.

In fact, Anita cheerfully admits that she did not have a clue about business when, in 1976, she opened a small shop in Brighton with a bank loan of £4,000. She was 33 years old, a former teacher and the mother of two small children. Despite vigorous protests from the local undertaker industry, she called her venture The Body Shop.

Today, Anita Roddick is one of the most successful, innovative and controversial businesswomen in the world. In just 15 years, The Body Shop has grown into a global business with 700 shops trading in 19 languages in 40 countries around the world — including a franchise in the Arctic Circle. And it is still growing; by the end of the '90s there will be at least 1,000 branches of The Body Shop open for business.

Both the company and its founder have been deluged with honours and awards including awards for business achievement and environmentalism in Britain, Sudan, Finland and Japan. Anita was named U.K. Businesswoman of the Year in 1985, was made an OBE in 1988 and received a United Nations environmental award in 1989. The Body Shop has been variously acclaimed as Company of the Year, Communicator of the Year and Retailer of the Year.

U.S. industrialist and philanthropist John D. Rockefeller once said: "Business is like oil — it won't mix with anything but business." Anita Roddick disagrees!

The Body Shop is more than just a successful business. Anita sees her company as a force for social change, as a powerful environmental lobby, as a radical organization with an important contribution to make, both to the local communities in which the stores operate and to the Third World.

Someone recently called Anita Roddick the "ecological Madonna" of The Body Shop empire. Others have called her "provocative," "funny," "passionate," "short," "original," and "outrageous." In kicking sacred cows, ruffling business feathers and expounding on a new concept — the idea of commerce with a social conscience — Anita prefers to describe herself as "Miss Mega-Mouth."

Ladies and gentlemen, please welcome Anita Roddick.

Anita Roddick:

Bursting out of England for the past 15 years, encircling the globe, dotted in over 40 countries, are some 700 shops. They primarily sell shampoos and lotions but they are also shaking the conventional assumptions of the business world.

They have grown with humour, love and an enormous sense of panic — and by never employing anyone from business schools, by never setting up a marketing department or paying for one product advert.

The closest phrase that can describe what is going on in The Body Shop is electricity and passion.

In 1976 we opened up The Body Shop for one reason — to survive. Gordon wanted to take a year off to ride horses across South America; I wanted an easy job where I could drop the kids off at school, go to work, close the shop, pick up the kids — nothing complicated.

Products

What we do take seriously is our product development. Here we have one rule of thumb — go in the opposite direction of the cosmetic industry. We do not market our products as if they were the body and blood of Jesus Christ. We do not want to take part in what Helena Rubenstein calls the nastiest business in the world, and also the most racist. Tell me when you've seen an Indian or a black person on the cover of a beauty magazine. We don't want to be part of creating needs that don't exist, trying to seduce the customer into believing this makes your breasts larger or your thighs thinner.

I have never met a cosmetic scientist who is 50 years old that looks 20 or even 10 years younger. There is no one ingredient that I'm aware of that alleviates stress, grief or anger, or happiness. It's just puffery and we want no part of it.

We travel to cultures and to communities picking up materials and anecdotal ideas that fuel the electricity and passion in the shops.

We use no photographic images, just illustrations and graphics, and we don't advertise. Advertising is like a mono-

logue. We create dialogue, create conversations. We let the customers spread the word by word-of-mouth to their friends and neighbours. All we want to be High Profile in is the community — it is better than outspending the competition. Dior spends \$40 million to launch.

Empowering Employees

The clue to The Body Shop's success is the way we view our employees. They are expected to inform and educate our customers, if asked, about the products and vision of the Company. They are there to answer questions with humorous anecdotes, videos, graphics and the light touch.

Our staff are mostly young, mostly under 30, whose ethics are care. For them, their work is about a search for daily meaning as well as daily bread, for recognition as well as cash, for astonishing rather than torpor. They are looking for leadership that has vision. And if you have a company that has an itsy-bitsy vision you have an itsy-bitsy company. You have to look at leadership through the eyes of the followers. The only thing the young understand is behaviour. In our company we don't preach — we may cajole and beg, but we behave. You have to live the message.

They are saying they want a job that values them more than the gross national product, they want work that engages the heart as well as mind and body. They want something in their life to believe in, not only to invest in. They want to be inherent in the process, to be told what is going on, to be listened to.

Franchise Selection

And who spreads the word better than the franchisees. How we select is curious and bizarre. But it gives them a clue into what we are about. What we care about. Do we only care about our growth and profits? Isn't it more important to know what we are building with our growth and why? And here is the greatest challenge for our franchisees. Measuring more is easy, measuring better is hard. Measuring better requires value.

Trade Not Aid

All we are doing is setting up little micro enterprises that benefit the community, to trade honourably. In short, to do just what Mahatma Gandhi said: "Whenever you are in doubt apply the following test: Recall the face of the poorest and weakest man you have seen and ask yourself if the step you contemplate is going to be of any use to him. Will he gain anything by it? Will it restore him a control over his own life and destiny?"

I spend a lot of time in Nepal, which is a sexy country for the aid industry, and there we have set up a perfect grass roots micro enterprise project.

Communication Windows

What we know and what we think comes in five different ways. Words, pictures, actions, deeds, what we see and what we hear. Nothing, but nothing, is more central to The Body Shops' success than our ability to communicate in these ways. It doesn't matter one hoot how much you know about your company if you cannot communicate to your people. In that event, you're not even a failure.

We believe shop windows are one of the most important factors in determining the image of our company — almost more than the product — we use poetry, great thoughts, and often they are controversial — enough to be a topic of talk.

We go onto the highway with our messages — moving billboards. What we do well is communication with passion because passion persuades. We also know in this decade, to educate and communicate you have to be daring, enlivening and different.

Community Action

Body Shops all around the world (except for Austria) are involved in community action. They do it on company time. Each shop makes its choice. What is required is a new kind of civic culture for which there is no precedent, no books written about it.

A culture in which people don't only ask themselves how much time was spent work this week on job, family or leisure, but also how much time was spent on civic duties. People don't want to escape responsibility. They understand to be a human being is to be in a state of responsibility.

Soapworks is an example of a moral decision. I could have set this project up in a safe suburban industrial park. By investing in one of the worst areas of housing and unemployment in England, Easterhouse was a moral choice. I would rather employ the unemployable in Easterhouse than the already employed in West Sussex. And the fact we are putting 25 per cent of the profits made in Easterhouse back into the community is another moral choice. It is better for my company. It keeps the soul of my company alive to have such examples. Not one shareholder has complained.

When I visited the Wodaabe Tribe in the Sahal they had never heard of the word desertification but they knew better than anyone that their soil was exhausted. They, too, were living out the experience.

Campaigns

All we want to do in our campaigns is humanize the issue, we are not here as an authority. We are here to attract attention, by the window posters, and start the educational process, through the leaflets we print or the videos we make. The customers or passers-by then make an educated choice. It is simply a new form of public education where the shops are arenas of education for social and environmental issues. During the last seven years we have had campaigns with Greenpeace, Friends of the Earth, Survival International and Cultural Survival on such issues as the ozone, acid rain, recycling and the rainforests.

Our resources plus the audience of millions passing by on the pavement and through the shops have forced consciousness. Consciousness-raising has become part of our language.

Activism

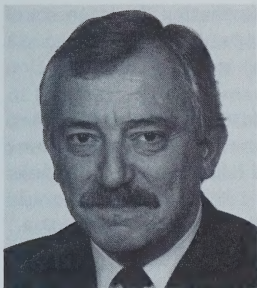
Democracy is not a spectator sport, but you wouldn't know it judging by levels of citizen participation today. Too many of us just don't get involved. Some say it's apathy. I don't. People want to clean up the environment, they want to support human rights. They just don't believe they can make a difference, they aren't aware of their responsibilities or they just don't know how to act.

"Most of you know that our bureaucracies, our policymakers — the people who govern us — are **not** at their best, nor do they actually want to be when left to their own devices. The citizen's job is to keep his mouth open. This I need not explain to anyone and I personally believe this country has failed to educate its civilians on their duties and opportunities for participation.

What we have found with our campaigns and activities is you don't wait for extraordinary opportunities. **You seize common occasions and you make them great. You find the simple effective ways for people to make a difference and you make them exhilarating.**

The Body Shop is no more than an experiment founded on principles. If we ever become like those giant corporations, our experience will have failed. In our experience, we are looking to show other people that you can run a business differently from the way most business is done; you can share prosperity with your employees without being in fear of them. You can rewrite the book on how a company interacts with the community, the book on Third World trade and global responsibility, on the the role of educating the company customers and shareholders without losing your sense of joy.

The appreciation of the meeting was expressed by Sarah Band, Retailer, Owner of Bianco Plus, and Past President of The Empire Club of Canada.



October 9, 1991

The Hon. Uffe Elleman-Jensen

Foreign Minister, Kingdom of Denmark

EUROPEAN INTEGRATION AND RELATIONS WITH NORTH AMERICA

Introduction: John F. Banks

President, The Empire Club of Canada

Hans Christian Andersen, the 19th century Danish author of such favourite fairy tales as *The Emperor's New Clothes*, *The Princess on the Pea* and *The Little Match Girl*, has been translated into scores of languages and read by children and adults throughout the world.

He also wrote poetry, and used his poetry as a vehicle for expressing his praise and declaring his love for his homeland. One example:

In Denmark I was born, 'tis there my home is,
From there my roots, and there my world extend.
You Danish Tongue, as soft as Mother's voice is,
With you my heartbeats O so sweetly blend.

Andersen wrote further of the bracing Danish beaches, of the green islands and of Jutland — the head of land separating the Baltic from the North Sea. In short, Andersen's picture of Denmark is a strongly varied land, both from a geographical and scenic point of view.

The Empire Club is greatly honoured to have as its speaker today Mr. Uffe Elleman-Jensen, the Minister for Foreign Affairs of Denmark. Mr. Elleman-Jensen has devoted his career — as a

journalist, politician and statesman — to furthering the interests of Denmark as a nation and as a participant in the European Community. The topic of his remarks today is European Integration and Relations with North America.

There are fewer than 600 days to go before January 1, 1993, when the single European market is supposed to be ready. Some journalists point out that Project 1992 is falling behind schedule. Worse, they claim a backlash against 1992 is growing as old suspicions continue to simmer. The interlude of "Europhoria," which replaced the fear of "Euroclerosis" of the mid 1980s, has given way to another bout of rival jousting.

The current debate centres on such issues as:

- "Widening" (admitting more members) versus "deepening" (building stronger institutions);
- Monetary union and political union — to be resolved in less than three months' time at a summit in Maastricht;
- Foreign policy and defence, and especially over the powers of the European Parliament;
- Recognition of the independence of Slovenia and Croatia.

These disputes will surely be settled. Tough fights and last-minute agreement are typical of the European Community. My impression — as an outsider — is that a momentous push to acknowledge the benefits of integration can again counter the shove of irrepressible national egoism if all politicians involved stand back and take a deep breath.

President Mitterand has commented that the architecture of Europe is changing. In Canada, we want to know more about the nature of the architecture, and whether the doorways are open to us.

Canadians appear to be of two minds on European unity: supportive yet wary of losing influence. Surely, now is the time for clear support. A level playing field where individual talent, effort and competitive advantage lead to victory is a clear improvement on an inclined pitch with moving goalposts, a biased referee and an opposing team full of steroids.

Canada also stands to benefit from closely analyzing the European experience. In revising Canada's own internal formula for joint federal-provincial approval of laws governing economic union, important lessons can be learned from studying the EC model, thereby improving Canada's chances for success.

Uffe Elleman-Jensen brings considerable experience and expertise to these issues. His commitment to a single European market is well-known, and was recognized in 1987 when he was awarded the Robert Schuman Prize, named for the French

statesman who played such a critical role in the creation of the European Common Market.

In addition to being Foreign Minister and Deputy Prime Minister of Denmark, Mr. Elleman-Jensen is the leader of that country's Liberal Party, a key partner in Denmark's coalition government. Just recently he played a major role in the restructuring of Eastern Europe, when Denmark became the first country to grant official recognition to the Baltic States.

An economist, journalist, and author of six books on economics and politics, Mr. Elleman-Jensen has experience as a keen observer as well as an inside player in the evolution of the new Europe.

Ladies and gentlemen, please welcome Uffe Elleman-Jensen.

Uffe Elleman-Jensen:

Distinguished members of The Empire Club. Ladies and gentlemen.

The official visit to Canada by Her Majesty the Queen of Denmark marks the long, historic links between our two countries. During the coming seven days Queen Margrethe II will travel through your beautiful country and see places that all Danes have dreamed of; quite a few have made it their home.

I have looked forward to being here today and to sharing with you some thoughts on the changes taking place in Europe and the relationship to North America.

World attention is once again on the European scene, on this old continent which all too often during the course of history has been the site of endless wars and power struggles.

To describe the full impact of the present and future integration in Europe, we need to go back to just after The Second World War.

Devastated from the crippling war, Europe was soon divided. Eastern Europe became a part of the Soviet Empire, suppressed by a totalitarian dictatorship that forced most of the fundamental values of European civilization under cover in all its countries and regions. It also suppressed many of the regional and ethnic problems for which we may now have to find solutions.

In contrast, most of the West European countries again introduced the rule of law, democratically elected parliaments and respect for the rights of the individual. In other words, all the fundamental values that we find self-evident in our societies of the free Western world.

But at the same time something uniquely new also happened in our part of Europe. In some of the hardest hit countries a group of visionary people with different political affiliations produced a revolutionary new concept. The idea was to transfer these fundamental values into international relations among a group of countries. The wish was to move away from a divided Europe characterized by the law of the jungle, where power had been more important than the rule of law. Away from international relations, that had the sole defensive purpose of securing civilized contacts between potential enemies, which all too often had ended in armed struggle in the past.

Out of this aspiration the European Community was formed. This is the core element of European integration.

For some 40 years the emphasis in the EC was put into developing economic and commercial co-operation between its member states.

This was mainly due to the fact that political issues, dominated as they were by security aspects, were dealt with bilaterally or in other forums like the UN, in NATO and, since the mid '70s, as a part of the CSCE-process.

As a matter of fact, political co-operation was not included at all in the EC when it was founded in the late '50s. The fathers of the Rome-treaty were confident that to create a viable common market it would be sufficient to remove the barriers to trade, barriers consisting mainly of quotas and tariffs.

But as the ordinary barriers were removed, the member states invented new mechanisms to protect what they considered national economic interests in the form of new technical barriers such as specific standards for the sale of goods in their respective markets.

Thus the true benefits of the common market were not exploited. Only later, with the threat in the early '80s of being completely overrun by Japanese and American high technology products at more competitive prices, did the Community take serious steps to create a fully integrated single market.

With the so-called Single Act, amendments to the Rome-treaty were adopted in 1985. At the same time, the informal political co-operation between the member states was being formalized and given its own secretariat.

Within the Community there has been overwhelming support for having the Single Market in operation by the end of 1992. Countries outside the Community have been drawn towards the commercial potential of this single market with its 320 million consumers. Negotiations were started with the EFTA countries to create a European Economic Area (EEA), associating these countries with the benefits of the Single Market.

The success of all this has led to new negotiations within the Community to further its integration with a political union and an economic and monetary union. The former will introduce a more flexible decision making process including also the political co-operation. The latter deals with introducing a common monetary policy. At the outset most of these issues were felt somewhat academic.

The recent developments in Central and Eastern Europe and the former Soviet Union have completely changed that picture. Each day requests from these countries for support of various kinds are received in Brussels.

In the Community there is a political will to comply with most of these requests, but the proper procedure for making speedy decisions is not in place. But the need for further integration of the EC now has become obvious. The role of the Community in the attempt to solve the Yugoslav tragedy has likewise illustrated what changes we need to make political co-operation effective.

In this sense the challenge of solving the enormous problems facing the reforming countries in Eastern Europe is not a

threat to further integration within the Community. On the contrary, the challenge has become a catalyst.

It is too early to say how the integration in Europe as a whole will be shaped. It will have to be worked out in an open dialogue with all interested parties. But there is little doubt that the Community is being looked to play a centre role in this process.

Hence three great tasks are facing the Community. The first is to maintain the momentum in the internal integration. The second task is to carry active responsibility for the economic and democratic transition in the countries and areas bordering the Western part of Europe. We will hopefully not be alone in this task, but together with OECD countries, including Canada, in the so-called G-24 co-ordinated actions. The third task is to prepare for the expansion of the Community to include a considerable number of other European countries.

But where does all of this leave our mutual Transatlantic relations?

It is important to stress that the European integration will not lead to a self-absorbed Europe — a Fortress Europe. How can one imagine that an association like the EC — a strong believer in an open market economy — would pull down the trade barriers internally, only to erect them to the outside world? One must realize that the Community has an interest in keeping its own market open to other countries, to the extent that the Community and its member states would like to have access to markets outside the Community. We need to extend our Transatlantic commercial links.

The ongoing negotiations to finalize the so-called Uruguay Round in the context of GATT is very important in securing the future openness of the world trade to the benefit of all. Denmark, together with the EC, supports a comprehensive, global solution on the Round as soon as possible, preferably by the end of the year. Admittedly important issues still have to be solved. If the political will is there, I know a solution will be found. The sincerity of the EC is there. We also owe it to

the former state trading countries now reforming to market economies to provide a prosperous future for their endeavours.

Right now the concept of a European Energy Charter is being negotiated. It is hoped that Canada, together with other non-European OECD countries, will take an active part in these negotiations and in the future co-operation to optimize energy resources in Europe to support the ongoing reform process.

We still think NATO has an important contribution to make towards military and political stability in the new Europe. International developments during the past two years, however, have made us Europeans increasingly aware that, as an essential contribution to a reinforced transatlantic solidarity, we will probably have to take a greater share of responsibility for our common security.

At the NATO meeting of Foreign Ministers in Copenhagen earlier this year we established a good basis for working out an organic relationship between NATO and a European security and defence identity.

A strong and further integrated European Community will enable us to contribute to the shaping of the future European order and to take our share of responsibility together with our friends and allies. The establishment of a common foreign and security policy will give added responsibility to us Europeans and strengthen our role in security policy.

We thus look forward to the NATO Summit in Rome in November and the European Council in Maastricht in December where the basis for future European security structures hopefully can be established.

The CSCE (The Conference on Security and Co-operation in Europe), in which Canada and the U.S. are participating, and its new institutions are increasingly dealing with security matters. The newly established crisis mechanism of the CSCE was called upon at an early stage when problems arose in Yugoslavia. However, the membership of Yugoslavia and of the Soviet Union turned out to be an impediment to the

peace efforts of this organization, and the mediating role was turned over to the EC. Both the United States and the Soviet Union chose the sidelines.

The importance of the CSCE should, however, not be underestimated. After all, the Helsinki Final Document from 1975 has been of vital importance in turning around the attitude to human rights violations under the Marxist regimes in the Soviet Union and the Eastern European countries. Further, the CSCE has been the forum for important conventional arms control accords in Europe. But an organization must necessarily expect difficulties when it is called upon to solve a crisis involving one of its members.

To conclude, let me state that we certainly are at a crossroads in the history of Europe. The EC has matured. Economically it is taking its place, side by side, with economic heavyweights like Japan and the U.S. Politically, the EC is undertaking an increasingly important role on the European scene.

Europe has grown and will increasingly take its fate and future into its own hands. And although some local conflicts may still lead to violence, the future integration will give the old continent a real chance of setting herself on the path to peace, freedom and prosperity.

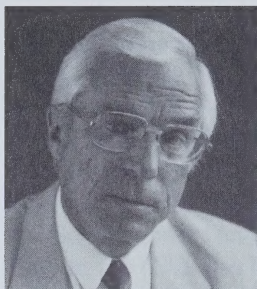
The integration of Europe is a path paved with the final victory of the noble ideals of the rule of law, democracy and freedom for the individual. The path may sometimes be narrow, sometimes even rough. I quote Winston Churchill: "The problems of victory are more agreeable than those of defeat, but they are no less difficult."

The integration of Europe will need the support of our friends and partners and will make not only Europe flourish, but our friends and partners as well.

Therefore, in my view, the European integration can only lead to one thing: "We're all gonna' win!"

Thank you.

The appreciation of the meeting was expressed by The Reverend Canon Harold Roberts, Minister, St. Timothy's Church, Agincourt, and immediate Past President of The Empire Club of Canada.



October 17, 1991

A joint meeting with the
Swiss Canadian Chamber of
Commerce and the German
Canadian Chamber of
Commerce

Dr. Peter Rogge

Senior Vice President and Chief Economist,
Swiss Bank Corporation

THE NEW EUROPE'S IMPACT ON THE GLOBAL ECONOMIC OUTLOOK

Introduction: John F. Banks
President, The Empire Club of Canada

Dizzy Dean was once asked which team, in his opinion, would win the 1934 World Series. He offered a response that no one could argue with: "The Series is already won, but I don't know by which team!" The 1991 World Series may have already been won, but unfortunately not by the Toronto Blue Jays.

After a terrifically exciting and successful regular season of baseball, Toronto Blue Jays fans suffered through a holiday weekend of successive defeats at the hands of the Minnesota Twins. One of the lasting images of the American League Championship Series is the sight of Kirby Puckett, the little superstar that could, churning around the bases, arms and legs pumping furiously, the essence of unbridled enthusiasm and achievement.

With their team having come close on several occasions, Blue Jays fans have coined a phrase of last resort: "There's always next year." Next year — 1992 — will hopefully bring a new look, some additional talent and a reinvigorated team.

1992 is destined to be an important and interesting year for reasons completely outside the context of major league baseball. 1992 — or more precisely January 1, 1993 — marks the economic union of 12 European countries that will unite to achieve an integrated common market.

Arguably, the achievement of an economic union is not as gripping as other recent events in Europe. I am referring, of course, to the shrugging off with alacrity of the shackles of Stalinism. For a short while, North American TV screens were full of oppressed people reaching en masse for freedom, the fall of rotten regimes, the crumbling of barriers and the shining faces of the released. These are indelible images which have imprinted themselves on the world's consciousness.

These political developments, together with the move to economic union, suggest that Europe is alive with change — change that is every day building upon and altering the political and economic assumptions that underpin the world we inhabit.

North Americans were left shaken by the Japanese economic assault of the 1980s. According to Jack Welch, Chairman and CEO of General Electric: "The new Europe will make our experience with Japan seem like a cakewalk." The implementation of a single Europe within the next 600 days (or so) will impact on not just hundreds of millions of Europeans but on all of us on this side of the Atlantic.

Today, The Empire Club is fortunate to have as our guest speaker a recognized expert on economics and politics — an individual who was involved in the formation of the European Common Market in its embryonic stages.

Switzerland is celebrating this year the 700th anniversary of the signing of the Perpetual Covenant among three cantons — Schwyz, Uri and Unterwalden — that marked the effective start of the Swiss Confederation. Michael Porter, in his book *The Competitive Advantage of Nations*, writes that: "Switzerland has few natural resources — with the exception of sites for the generation of hydropower and a pleasant landscape that attracts many tourists." With respect, perhaps Mr. Porter overlooked one of Switzerland's most significant natural resources — our guest today, Dr. Peter Rogge, Senior Vice President and Chief Economist for Swiss Bank Corporation. He is a person of tremendous accomplishment in a number of fields.

Dr. Rogge's academic credentials are impressive. He studied economics, business administration and management at California State University, the German Universities of Goettigen and Freiburg, and the University of Basel. In 1957, he received a Doctorate in Economics from the University of Basel.

Dr. Rogge was involved in preparatory research work for the establishment of the Common Market on behalf of the European Coal and Steel Community. Subsequently, he served as CEO of Prognos A.G., the European Centre for Applied Economic Research in Basel which, under his leadership, grew into one of Europe's leading economic research and consulting firms. Since 1977, Dr. Rogge has been an executive of the Swiss Bank Corporation.

Two final observations on Dr. Rogge's background. First, he has served on municipal councils in a country where municipalities traditionally generate budgetary surpluses. And secondly, he has served as a director of the Swiss Federal Postal Services, in a country where the mail is delivered twice a day and on time. Dr. Rogge, you have no idea how unusual and impressive these two qualifications are to a North American!

Ladies and gentlemen, please welcome Dr. Peter Rogge.

Peter Rogge:

Mr. Chairman, Mr. Ambassador, ladies and gentlemen. Thank you very much for that kind introduction.

I am honoured to be with you once again. It has been two years, if I am not mistaken, since I last spoke with you. Imagine what has happened in the meantime. It is mind boggling and it defies any description.

Europe is driving towards the year 1992 and this drive is changing the face of Europe, strongly so. We are very close to having a common currency, even without the world at large acknowledging it yet. Nevertheless, since 1989 Eastern Europe has been entirely in the forefront of interest and I would very much like to address some of the trends that are shaping up over there because that is another part of the continent comprised of 400 million people, the impact of which will be felt the world over, not the least in North America as well.

In Eastern Europe, 1985 marked the beginning of Perestroika. Since then a turnaround of six countries in Eastern Europe, comprising 120 million people a turnaround of the Soviet Union, comprising 290 million, has taken place, or is at least in the early stages.

Only 15 months ago, we observed the fall of the Berlin Wall. It has been a little over a year ago that Germany achieved monetary and economic union; and it's only a year ago that Germany's unification was consummated. It is only three months ago, ladies and gentlemen, that the Soviet Union went through a major change. Since then we see dissolution of this large country, the largest country in the world.

Now there are many questions arising from these historic developments for the world economy. What are the repercussions shaping up for trade, capital and the flow of people? More specifically, from the point of view of outsiders, will new locations of production shape up in the world? Will new competitors and new suppliers hit the world's markets? Will capital markets be able to finance Europe, the construction of the West? Will capital flows be redirected? Will productive energies be diverted into Europe leaving the rest of the world devoid of energies they formerly used? Will the world's wealth be re-distributed?

Ladies and gentlemen, the importance of questions of this sort can certainly not be overestimated because, for the world economy, Europe is the most important supplier in the world with the largest population and the highest per-capita income.

Europe, together with Japan, is the most important source of capital and know-how for the rest of the world, and, what is more, the failure of command economies gives a boost to Liberalism for the world at large. So the questions that are shaping up are large and the impact is going to be immeasurable. Still, answers are far from certain. A "surprise-free future" is a thing of the past. There is an incredible speeding up of developments and economic trends are being shaped by political decisions. The former socialist countries are just at the beginning of a very long and treacherous road. Therefore, I would like to share with you some observation based on facts and figures which are available today and which may be indicators of things to come.

There is one common characteristic to all the facts and figures that I will share with you. They all point to tremendous changes and challenges, not only for the Europeans themselves, but for the world at large. So what is the present state of affairs in Eastern Europe? Presently we are observing a dramatic breakdown of the economies of all of Eastern Europe because the command economy has now been dismantled and disrupted. But there is no market economy yet in place and there is a complete disorientation of a population used to being told what they have to do and how they have to live. Productivity and capital stock in Eastern Europe is on average just 25 per cent of the levels in the Western world. There is no competitive position to make a living in the world economy for any of those countries.

There is an incredible monetary problem resulting from attempts to keep deficit-prone Socialist sectors of the economy afloat by just printing money — which is now suddenly exposed by lifting official price controls. And there is the dismantling of the old Comicon system and that means that there is a loss of the traditional markets for all of these Eastern European countries.

Now what is the result? The result is obviously that these countries are faced with hardships all round. Soaring inflation rates. And Poland was in an abrupt transition from a price fixing system to a free market system. Inflation rose from 60 per cent in 1988 to 600 per cent last year. Government and private budgets, as well as external accounts, are completely out of balance for all of those countries. The budget deficit of the U.S.S.R., or what used to be The Soviet Union, ballooned to \$33 billion (U.S.). With an inflation rate of 250 per cent, the consequences of the government printing money just to pay their bills is that the inflation rate of The Soviet Union now hits the capacity of the printing presses of the government. There are huge external debts which are being piled up. In Poland, for instance, the foreign debt is 380 per cent of Polish exports. In Bulgaria it is 340 per cent. In Hungary it is 250 per cent. And there is a complete breakdown of an already

extremely low GNP per capita with negative growth rates this year going all the way to 18 per cent calculated for The Soviet Union.

You have to go back in economic history to the Great Depression, and even then you don't find any up-down swing of this size. Most important of all there is unemployment — now coming into the open — that gives a really disquieting perspective.

The "lower term labour" market in all of Eastern Europe is now hit by the dismantling of Socialist economies and the turnaround. The lack of competitiveness and the inefficiencies of the Socialist system are being laid open. Present unemployment in Western Europe numbers approximately 12 million. In Eastern Europe present unemployment is already at 20 million and likely to grow to 50 million by 1994 — an unemployment rate of 35 per cent. What this cooks up is the prospect of a new invasion. Germany's 700-mile-long eastern border is as powerless as a sieve, and so are others. Estimates now are for more than seven million people knocking on Europe's doors from Eastern Europe in the next seven years. And not only Europe's doors.

Recent opinion polls from Poland indicate 47 per cent of those questioned want to immigrate to the United States, 37 per cent to Canada. From the U.S.S.R., we know that 37 per cent of the young people questioned want to immigrate to the United States, and 45 per cent to Canada. From Hungary, 25 per cent would like to immigrate to North America.

Now ladies and gentlemen, a turnaround is absolutely imperative. Not only is it imperative for this part of the world — this Eastern Europe part — but for ourselves as well. Because if we don't take our capital to those people, these people will come and take capital from us. Literally, they'll be invading the rest of the world, asking us to share our wealth with them. Now the necessary turnaround has two prerequisites. One is serious progress on internal reforms — that is in the countries themselves. The other is a flow of capital, know-how and technology from the West. This, of course, dredges

up the question: What is the size, what is the cost, what is the capital impact on the world's markets for all of us now that Eastern Europe has opened up and is begging for our help?

There are a number of calculations in trying to arrive at a ballpark figure. Let me quote just a few of these estimated costs. For instance, working upon the assumption that another Marshall Plan would be instituted. The Marshall Plan in the 1950s amounted to approximately two per cent of the GNP of the receiver nations. Two per cent of the Western European GNP was at that time donated by the United States to Western Europe. This would give us a figure of \$14 billion per annum if applied to Eastern Europe. However, this would hardly seem to be enough because the rundown state of the economies of Eastern Europe call for more. They call, for instance, for financing their current deficits and repayment of debts because otherwise they can't make a living.

If we finance their current deficits in trade and if we take the repayment of their debts from them, it would call for \$48 billion per annum for the next five or 10 years. But maybe that is not enough either, because that is just closing the gap. We want them to join the world's community, we want them to grow economically, we want them to earn a living in a way that makes living worth living.

Let's assume that they're driving at doubling their GNP over the next 10 years. Let me remind you that even the traditionally industrial countries of Eastern Europe, like Czechoslovakia, Eastern Germany and Poland, are at present only at approximately 30 per cent of the per-capita GNP of the West. Now a doubling of the GNP in Eastern Europe in 10 years would call for a 7 per cent growth rate. Based upon the present GNP and capital input needed to make GNP grow, we arrive at a staggering sum needed for investment in Eastern Europe of over \$300 billion per year. If you don't invest it, you don't arrive at this figure.

Let's assume that productivity reaches Western levels. For instance, in the Bata shoe factories and in the tractor factories of Poland, to have productivity which is competitive to

the West calls for more than \$400 billion. I've just been talking about Eastern European countries minus The Soviet Union and minus the former German Democratic Republic. So these are huge sums indeed and it is very, very questionable whether this will come about.

But are we far from a solution? What is needed is capital, know-how and technology from Canada, United States and Western Europe.

We are welcoming new neighbours in the game. We have been applauding their drive for reform, for Liberalism, their drive away from Communism. Now we are closing our market and asking them to please pay for their own lives. The opening of our market is required, most important in the fields of food stuff, textiles, vehicles and machinery. Just two weeks ago the French militated strongly against the Polish appeal to open up the import of agricultural food stuffs.

And The Soviet Union has now requested grain aid to carry itself over this winter and our total aid up till now has been minuscule. This is a threat, this is a challenge, and it is a chance, all at the same time.

Chance from political and humanitarian aspects. Great chance, a great challenge, from the point of view of a business person, a banker and an economist.

There is another market of 400 million people shaping up and the demand potentials are uncertain. But they are unlimited when you take the example of passenger cars. For instance, Volkswagon has recently estimated the passenger car population in Eastern Europe and the potential for growth. Their figures are way beyond the growth rate of any other market in the world. Western industry is getting into the act. We agree with Mrs. Bata, someone who is already getting into this act. Others include the automobile industry; there are very important entries in the American electric industry, in Hungary for instance. Licences are being given to companies by Fiat and Mercedes. There are many other examples of firms entering or considering Eastern Europe. There is a substantial drive now shaping up, slowly shaping

up, which is still just a trickle of investment but which is the beginning of a long way. And looking at this beginning I want to reiterate that it's the growth potential that should be kept in sight.

When you just take the railroad network reconstruction in Eastern Europe, and only look at the main trunk line, it has been calculated that to have a recovery of the railroad trunk lines in Eastern Europe calls for an investment of at least 10 billion German marks per year. There again is a challenge, and it may be a threat if we do not address it. It is a great chance for anybody who is getting into this act. Well this is what is happening in Eastern Europe.

You are confronted with misery and hardships all around, but you are confronted with hope, you are confronted with people, 400 million strong, who have one wish, mainly to become part of the rest of the world.

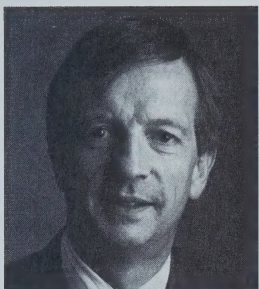
Now the rest of the world, and that really is my message, should not turn their backs on this part of Europe, this part of the old world.

We should not walk away. We should not just leave them and their troubles, but rather we should try to become active and turn what may otherwise be a threat for all of us into a challenge and into a long-term promise. If that happens it may be that one day Europe and North America will pull together very closely again as in the times of the Marshall Plan in the early 1950s. The bottom line is that it will be a victory for the free economy, a victory for democracy and, at the same time, it will pay for all of us.

I wanted to bring to you a message of hope, but it is also the message of a challenge which could turn to a threat if we do not live up to it.

Let's try to do that. Thank you.

The appreciation of the meeting was expressed by Robert Brooks, Executive Vice President, The Bank of Nova Scotia, and President-elect of The Empire Club of Canada.



October 24, 1991

Peter Ellis

President and CEO, Sunnybrook Health Science Centre

HOW TO KEEP HOSPITALS HEALTHY

Introduction: John F. Banks
President, The Empire Club of Canada

Susan Sontag, in her text *Illness as Metaphor*, observed that: "Everyone who is born holds dual citizenship, in the kingdom of the well and in the kingdom of the sick." In preparation for our luncheon address today, you will notice from my crutches that I have been researching the kingdom of the sick. No personal sacrifice is too great for The Empire Club!

The medical profession has always been fair game for the satirical mind and the eloquent pen. As early as the 17th century, Molière took a swipe at the medical faculty of the University of Paris in his *Le Malade Imaginaire*. It might be thought of as some kind of ironic justice that poor Molière was seized with a consumptive attack while performing as the hero of the play and died a few hours later. But he left us with one of the great classics of medical satire.

It is not only geniuses and eccentrics who have been absorbed by health and medicine. Probably no aspect of the human condition concerns all of us more than our health and, by extension, medicine and hospitals. In fact, hospitals evoke strong emotional responses. Ask our speaker, Peter Ellis, President and CEO of Sunnybrook Health Science Centre. We, as consumers of health-care services, criticize everything from the cost of medical care, to the quality of the food in hospitals, to the lack of attention we think we should be

getting. A recent survey by the Ontario Hospital Association, however, found that three-quarters of the people polled were satisfied with hospitals. And American observers, against the backdrop of an impending health-care crisis in the U.S., look enviably at the Canadian health-care system; they view it as being part of the kinder and gentler society about which U.S. citizens can only dream.

Statistically, there are more patients for hospitals to treat these days. This was discussed by Peter Ellis in a letter to the Editor of *The Star* in June where he commented on the doubling of day procedures and ambulatory care visits. He wrote in that same letter about health-care costs which, he claimed, have actually declined in relation to their percentage of the GDP in Ontario over the past 10 years. That will probably come as a surprise to most of us who are familiar with the suggestion that hospitals should install a recovery room next to the cashier's office!

Additionally, most of us are living a lot longer. Approximately 10 per cent of the population is over age 65, and this age sector consumes 40 per cent of our health-care dollars. Early in the next century, that age group will be twice as large. Sunnybrook capitalized on this trend in its recently-launched fundraising campaign. One billboard focused on aging with this pitch: "George Burns just signed a \$3 million contract with Caesar's Palace ... Some 95-year-olds get all the breaks!"

The comedian, Jackie Mason, once commented: "It's no longer a question of staying healthy. It's a question of finding a sickness you like." Many of us perceive a hospital as a facility that takes out your tonsils or, from recent personal experience, deals with ankle fractures. A hospital or health-care system is significantly more complex than the layperson's perception. Like any multi-million-dollar operation, a hospital requires cutting-edge management techniques and human resource strategies. Part of the challenge is to bring together many varying professions and so many different activities with one overreaching goal in mind. How to manage the most effective and efficient use of our health-care facilities in a political and economic climate of limited financial resources is a challenge that our speaker today is uniquely qualified to discuss.

When Peter Ellis was named CEO of Sunnybrook in 1987, growing service demand was stretching its resources to the limit. In the past four years, he has introduced major changes to the organizational structure of the hospital, with an emphasis on individual decision-making at the level that is closest to the patient.

Under Peter Ellis's direction, Sunnybrook has also pioneered in the computer handling of patient cost records. This efficiency-

improving development has become more urgent as the Ontario Ministry of Health, that golden goose, is now laying fewer eggs.

Peter has a wide range of experience in health-care management. In addition to 14 years in senior executive positions at Sunnybrook, he has been a management consultant specializing in health-care management in Canada, Nicaragua and his native Great Britain.

Sunnybrook's efforts and achievements in the area of medical research, and Peter Ellis's contribution to this initiative, have been described as **forward looking**. And now we can **look forward** to hearing his views on how hospitals can keep healthy.

Ladies and gentlemen, please welcome Peter Ellis.

Peter Ellis:

Thank you John. I should say John's kind remarks are probably premised on the fact that on Friday afternoon he returns to our care, so he can't say anything else but complimentary things. You will also notice he has a wrist tag which actually was supposed to ring if he left the premises to alert security.

I want to thank The Empire Club for this opportunity and I also want to thank the Mayor and our guests today for attending. It is also nice to be surrounded by so many familiar faces although I hope I am not preaching to the converted.

John has touched on some aspects of my presentation. What I want to bring to you was epitomized by a recent *Star* editorial. I had been away for a week in August, which is unusual for me, and returned to find an editorial written about hospital funding difficulties and the pleading of the Ontario Hospital Association, and then went on to make some reference to the hospitals being part of 'the medical-industrial-complex.'

This terminology confused me. The only thought I had was that maybe the Pravda editorial writers who had been laid off because of the changes in Russia now had a new home. To be described as part of the 'medical-industrial-complex' seemed to be attempting to imply some Machiavellian plot to undermine the government of Ontario which, I don't believe, is the goal of hospitals here. Nor does this type of

commentary help to foster understanding of the issues we have to deal with.

This rhetoric and the consequences of it concern me from two perspectives; one — what does it do to our organizations and how they function as organizations and, two — it suggests to me that we are not getting our message out there which puts the onus back on our shoulders to try and take more time to explain to people what does go on in a hospital and what they are about. In order to do that I am going to use a few slides. You will notice I do not have any notes, and without the slides I have no idea of what I am supposed to be saying.

I want to start by talking about the international scene and then gradually bring it down to the hospital level. For those of you not familiar, the first slide shows the positioning of Canada relative to the other industrialized nations and shows the general pattern of the different countries relative to their GDP over the years. As you can see, Canada, after putting on a little bit of an early spurt, tends to cluster around the majority of the other industrialized nations and has recently been showing some slight improvements. Three countries are off the standard curve — the United States way up, and then Japan and the United Kingdom way down. While we understand some of the problems as to why the United Kingdom is somewhat lower, Japan remains a mystery to many of us, partly because they seem to have different accounting procedures and different admitting practices.

What is important is to tie those costs back to wealth. As we keep hearing these days, we cannot improve health-care facilities without improving the wealth of the nation. Looking at how those two particular parameters correlate, you can see on this second slide that Canada is right on the line in terms of the slope, which suggests that the amount of money in total to be spent on health relative to the wealth of our nation is appropriate when measured against other countries. Again you can see a number of other countries that are

way off the chart. Either they are spending much too little relative to their wealth, or spending far too much.

This third slide looks at length of stay, the number of beds per 1,000 population, and the number of physicians per capita. You will see again that Canada performs very well among industrialized nations.

This next slide demonstrates some of the measures of health and again shows Canada's performance relative to life expectancy, infant mortality rate, and life expectations. Again it would suggest to us that we do have a well-performing system when we look at ourselves in comparison to other industrialized nations.

This is not an excuse for complacency as there are other jurisdictions which show a better record. There are opportunities to improve, both the financial effectiveness and the overall quality of our system.

Getting down to the provincial level, which is where responsibility for health care rests in this country. (It is a mistake to talk about the Canadian health-care system, when in fact health care is a provincial responsibility and there are some significant differences between the systems in different provinces.)

You can see the government of Ontario's problem when we look at this slide. Notwithstanding the fact that health care expenditure has retained its relativity to wealth as a cost to the province, the year-over-year increase in dollars spent on health increased at an average of 12 per cent. This is a major concern for us all and it must be one of the province's most difficult financial problems. I am sure Dr. Barkin has spent many a long hour in his previous role trying to deal with this escalation.

What is important is to understand where that money is going and this is more toward the topic that I want to talk about, which is the issue of hospitals. You will see from this slide that hospital expenditure has diminished in their share of the province's health-care dollars. We were consuming some 50 per cent of that dollar just over 10 years ago; it is 43

per cent of that dollar today, so that relative to the other components of the health-care pie, we have been doing fairly well. This is further amplified on this slide, which shows Ontario hospital expenditure as a percentage of GDP, and we more recently see the initial blip is relatively stable and going down. What you can see are increases in the percentage of GDP being spent on professional services, predominantly physicians and other practitioners' fees, and particularly on the drugs and products section, which is the drug benefit plan, and the assistive devices programs which provide orthotics, prosthetics and support to people in the home. These are the growing component in the cost of our health-care system.

What I am trying to demonstrate is that from a hospital's perspective we believe that we've done a relatively good job at holding the lid on our expenditures. This is particularly significant in relation to our activities. For not only have we been keeping control from a dollar perspective, but during that same period the volume of what we do has increased dramatically. In this chart, you will see in-patient activity is unchanged, notwithstanding the increase in the demands of the population. But what we have been able to achieve is to provide more and more care on an ambulatory and community basis.

The slide shows that the amount of outpatient visits and treatments and ambulatory surgery has more than doubled over the last 10 years. These changes in activity are lost in the rhetoric; and in this regard we have, perhaps, been our own worst enemy in not getting this message across. Even to construct this particular diagram, I had to get my Executive Assistant to ask Statistics Canada for the individual data to accumulate it. Similarly, we had to construct data on hospital expenditures at Sunnybrook.

We have to spend more time as an industry getting our message across. Other health-care interest groups have politicized their activities and, to counter the anti-institutional rhetoric that is going around, we have to become profes-

sional in dealing with the local concerns that are expressed about our activities and performance.

I also want to point out something else about the hospital sector and that is what it brings in terms of added value to the community. This graph shows the number of jobs in the different sectors which are direct spinoff jobs as a result of the hospital sector in Toronto. This other chart shows the total financial benefits. This is work that was done by the Hospital Council of Metropolitan Toronto to quantify the economic benefits of hospitals to the Toronto community. There are many indirect benefits, particularly from academic hospitals. There is much we can do and are doing in the research and development area. Through base support and attracting research-oriented companies in the pharmaceutical and medical device industry, we can use hospital research capabilities to create wealth.

If any of you have listened to Fraser Mustard talk about the linkage between a country's wealth and the existence of wealth creating jobs in research and development, you will know this is where the future growth of the nation lies. We have a great opportunity in our academic hospitals to create that critical mass and use it to attract major players in the pharmaceutical and medical technology fields. However, it will mean we have got to welcome these industries and our health-care strategies must not be in conflict with our industrial strategies, thereby dissuading major companies from settling in Toronto.

Having dealt with the world scene and Ontario, I am going to talk more specifically about our hospitals and how they operate, about some of the challenges they face, and why they are such complex organizations. John Bankes, in his kind introduction, made reference to this complexity factor. Peter Drucker has written about hospitals as the most complex organizations that exist. The complexity has many dimensions.

The first is due to the fact that we are accountable to so many different parties, agencies, etc. This slide is a list of the

sort of accountabilities that I feel Sunnybrook has as an organization.

Financially, we are accountable obviously to government for 80 per cent of our operating revenue that they provide. We are accountable to our patients, as clients/customers, and should be directed by their needs and requirements. We are accountable to the various communities that we serve and have to demonstrate that we are responsive to their needs.

As an academic hospital we have educational accountabilities. Sunnybrook has 1,400 students. We are also a major research organization. Again, speaking from the Sunnybrook perspective, we have over \$10 million of peer reviewed research going on every year.

We also have major ethical and legal responsibilities, whether this is through government regulation and accountability or just our ethical responsibilities as part of the health-care system in ensuring that we live up to the highest ethical standards.

We are also accountable to the system as a whole. That is a very important responsibility. We have to recognize that we work within a system. One of the major criticisms hospitals currently face is that they are somewhat autonomous and self-interested. Part of the problem, I believe, is that nature abhors a vacuum and, as such, hospitals fill the vacuum which is created by the lack of definitive goals and strategies for hospitals. In many ways, their competitiveness and independence is more due to the lack of an integrated framework within which to function.

We are also accountable to our peer hospitals. One of the things which certainly attracted me to Ontario was the degree to which hospitals are autonomous but, through such systems as accreditation, are accountable for their performance. We have to be open and willing to allow our peers in to assess how we are performing and demonstrate we are doing an effective job and using our resources well.

We are also accountable to our staff. As many of you are aware, hospitals are predominantly people: 75 per cent of our budgets are spent on people. How those people behave and interact and how we manage to excite them and enjoy their commitment to our organization is the measure of our success as organizations. I mentioned to Mayor Lastman quite recently that, with the downsizing of DeHavilland in North York, Sunnybrook is now once again the largest employer in the city of North York with more than 4,000 employees.

Finally, we depend on referrals from other organizations or other professionals and we have to demonstrate that we effectively deal with the clients and customers they send and provide appropriate feedback for what we do. Each of the previously mentioned accountabilities has a unique dimension to it and is one of the reasons why hospitals need to be free to balance those accountabilities.

I came from a system in the United Kingdom which was a government-operated system. The only accountability appearing to be to government, we lost our sense of accountability to the patient and the client. I think one of the reasons why the idea of self-governing hospitals is again gaining hold in England is the recognition that if there are to be healthy hospitals, they have to be relatively free to meet the many demands of accountability upon them and not be seen to be just accountable to government. The second major dimension is similar to that faced by all organizations. We face the same challenges that many of you face in whatever business or organization you are a part of. This particular slide, which I have borrowed from the American Management Association, identifies the key components that, if managed well, create a healthy well-run organization.

Leadership is obviously crucial. Our organizations have to be led. In fact, in many ways, leadership is more critical in hospital situations than many others because of the multiplicity and diversity of professions and disciplines which we try to bring together to work in a cohesive fashion. How we are able to provide that leadership internally between differ-

ent departments, disciplines and professions, and overall as an organization, is the key to the whole future of the organization. Similarly the culture and climate of our hospitals is the glue of our organizations.

We don't have issues like market share or profitability to hold our organization together and focus our attention. What we have to work at is creating a cohesive set of values that drive our organization. The overall culture and climate and the health of that culture and climate is vitally important. This is why I get very upset about some of the inappropriate criticisms that are handed out to the hospitals and institutions.

Institutions are not popular in today's climate. As hospitals, we are doing what I believe is sterling work for our many patients and clients in difficult stressful circumstances. It is very hard to maintain the ethos, culture, and values that keep people motivated if they are constantly seeing themselves being berated in the media for somewhat less than clear reasons. Our overall health is very much tied as organizations to the health of the internal culture.

Planning is an important function as I mentioned, both internally and how we fit within the larger system.

How we organize is also a major challenge to us as hospitals. We have to organize in a way that brings together our many diverse parts. This slide is an example of a simple organization chart which you would find in many hospitals. If you walked into a hospital out of the blue, you would think that the role of the hospital was in fact the feeding and nurturing of various professions — nurses, dieticians, social workers, etc. etc. The only thing you can see on many hospital organization charts are lists of different professions. You get no sense that they are organized in trying to deal with the needs of the client or the customer. This slide is an example of a matrix organization. I think we have to spend more time on the horizontal dimension. We have to show that the main focus of our organization is the patient, the client. In fact the majority of problems I face as President of Sunnybrook are

concerned about where the system breaks down in the interface between different departments, divisions, professionals.

How we process patients through and provide a smooth interaction with those many departments is the challenge. This is what determines a successful outcome. We have therefore to look at our organizations and focus more on what we want to achieve than the somewhat self-interested needs of the different professions and disciplines who typically find comfort in herding together in great numbers.

In addition to organizing, we have to develop our people. Again, we are a people-dependent industry, we have to focus on ensuring our personnel are excited by our organizations and by working for us. We have to find ways to identify and develop those people and ensure that they have opportunities to reach their full potential, and, conversely, find ways of helping the people who no longer fit in our organizations to find other avenues and careers which would best suit them.

Finally, controlling and monitoring. Hospitals have been very slow off the ground at providing the type of information they need to effectively control and monitor their performance. This is a major responsibility, a very expensive responsibility. Potentially hospitals should be spending two to three per cent of their budgets on this activity. If you look at a large institution with revenues well in excess of \$200 million, that is a significant number of dollars being spent on information to help manage effectively and be accountable for the use of our resources.

None of these points work independently, they are all interdependent. Leadership brings together all the points. The development of people is obviously crucial and part of the overall culture and climate of the organization. How people develop affects the organizational structure. How we monitor people's effectiveness affect how we develop them. Each of the points interrelates to the others and has to be looked upon again as a balanced whole. The health of our hospitals as organizations comes from how well we are able to integrate those respective points.

My final point is to talk about the freedom to maintain our hospitals as healthy organizations. I made reference to the fact that the autonomy of our organizations is a crucial component of their ongoing success. People, particularly people like myself, are stimulated by the challenge and the opportunity to make a difference. We can only make a difference if we have an area of freedom within which to work. That does not mean as organizations we want total autonomy and that we are going to work as anarchists just doing what we wish.

We do need a framework, but a framework that leaves a large enough space for me to determine how I am best able to do my job. The framework, we recognize, is formed by the fact that there are external cultural influences, there are legal requirements, and there are external moral and ethical boundaries put upon us as organizations.

Similarly, there are policies and procedures that are determined externally. There are external planning systems that will influence what we do as part of a health-care system, and budgets that we will have to live within and be committed to.

And finally there are going to be specifications of performance and descriptions of what we should do as organizations and as individuals. Bearing these limitations in mind, there still has to be a large enough area of freedom to provide our organizations with exciting opportunities. This similarly applies to the governance of those organizations. We are only going to attract trustees to our Boards if they feel they have some freedom to make a difference. It is to my mind the ethos of healthy organizations that they have the freedom to pursue the strategic foci I talked about.

Having created the area of freedom for the organizations, it is my challenge to provide an area of freedom for each of the departments and employees of my organization. Thereby they are challenged and they are free to make a difference in their own areas. It is through this particular approach that I believe we can truly improve what is important to us as hospitals — the quality of services to our clients and customers.

The appreciation of the meeting was expressed by Marcia McClung, President, Applause Communications, and a Director, The Empire Club of Canada.



October 25, 1991

A joint meeting of The
Empire Club of Canada and
the Canadian Club of
Toronto

The Rt. Hon. Brian Mulroney

Prime Minister of Canada

NATIONAL UNITY

Introduction: John F. Bankes
President, The Empire Club of Canada

Welcome to this joint meeting of the Empire and Canadian Clubs.

We've all heard the recent news from New York involving our guest speaker. People can be forgiven for wondering if we are to hear a speech today on the state-of-the-nation or the state-of-the-world.

My name is John Bankes. I am President of The Empire Club of Canada. Along with my co-host, Roland Lutes of the Canadian Club of Toronto, I'd like to extend a warm welcome to the Prime Minister and Mrs. Mulroney. Sir, we are looking forward to your remarks on the subject of National Unity.

Last night, I watched — like many of you — the fifth game of the World Series. The TV broadcast brought to mind one of my favourite baseball stories. It involves a remark by Yogi Berra that was made at an outdoor reception at Gracie Mansion, the New York Mayor's residence. It was a hot summer evening and the occasion was a party to honour some of the legends of baseball. Yogi Berra arrived wearing a straw hat and a lime green summer suit. Mrs. Lindsay, the Mayor's wife, approached him and commented: "Mr. Berra, you look very cool in that outfit." To which, Yogi replied: "You don't look so hot either!"

To date, Mr. Mulroney and Mr. Clark have been handling the constitutional crisis with considerable coolness. But Canadians are beginning to wonder whether as a country we're really doing "so hot" in resolving the conflict.

The constitutional issues — in one form or another — have been commanding our attention throughout Canada's history.

A century ago, and only a quarter century after Confederation, with the first of many language crises brewing in Manitoba, Sir Wilfrid Laurier wondered and worried about the breakup of the country. "We have come to a period in the history of this young country," he warned, "when premature dissolution seems to be at hand."

It has been 100 years since Laurier uttered these words. And Canada is still together. And in another 100 years, Canada will still be together! But it will require commitment, courage, passion and compassion from all of us.

Like most of you, I saw the coverage of the Prime Minister's speech in Montreal the day before yesterday. When it comes to the issue of Canada staying together, we are witnessing in our leader this high level of conviction. We are seeing a fighting spirit!

Mr. Mulroney's assets are not confined to his political leadership. Recently, one commentator wrote: "His eyes are Paul Newman blue. His hair has the swoop of the Robert Redford style." Given these physical attributes, it's not surprising that the polls recently rated him a perfect 10!

Ladies and gentlemen, it gives me great pleasure to introduce the Rt. Hon. Brian Mulroney.

Brian Mulroney:

I am pleased to have this opportunity to share with you the Government of Canada's perspective on the challenges we face together as we begin the last decade of the 20th century. History has proven us a resilient people, Canadians' sweat and genius have given us a dynamic economy and the vision of our founders has provided us a flexible system of government. But the world is changing rapidly, and Canada must change with it.

Canada has long been a nation blessed by the sure and comforting knowledge that our immense natural resources and relatively untouched geography would always cover our mistakes, without in any way limiting our quality of life.

Today, this is less true: a nation of only 27 million, facing in excess of 350 million Europeans, almost 300 million Americans and many hundreds of millions in Asia, clearly has tough economic and political choices to make.

Constitutional choices are not about legal texts; rather, they are about protecting our freedoms, maximising our standard of living and enhancing the opportunity for every Canadian to develop his or her full potential. Not choosing — hoping the world will go away — hoping those with whom we compete who are choosing will somehow leave our markets alone or our economic prospects unthreatened, is the ultimate irresponsibility, the most serious possible dereliction of duty. At the top of the list of the choices we must make, primary among the decisions we face if we are to survive, compete and succeed, is the choice about what kind of nation we are to be, how we are to provide economic freedom and opportunity for all our citizens.

When I meet other leaders, both at home and abroad, I am struck by the growing tension between the territorial integrity of existing states and the principle of self-determination of peoples. But I also see a trend to reconcile these two principles through greater accommodation of cultural and regional identities, on the one hand, and greater economic and political integration on the other. This is what we have tried to do in our recent constitutional proposals.

In an era of intense global competition, if we fail to think nationally and act locally, if we fragment into a series of bickering, small-minded barely efficient and under-populated units with neither the internal cohesiveness nor the economies of scale necessary to sustain our existing market-share in the world, then the world surely will take notice — but only to the extent of occupying our markets, taking away our business and gladly picking from the entrails of what was and still is the seventh largest and one of the most dynamic economies in the entire world.

Canadians who think the world owes us a living, who think we can say or do anything to each other or the whole coun-

try without consequences, who believe that our unity can withstand malice and intolerance without damage, these Canadians need only look to the international section of any daily newspaper if they need proof that no state is necessarily eternal, and no people beyond serious conflict.

The Constitutional proposals put forward by the Government of Canada some weeks ago focused primarily on those priorities that are necessary to maintain economic prosperity and genuine economic and personal opportunity for all our people. Our approach to sustaining that prosperity is, first of all, an inherent flexibility in our Canadian federation that allows us to live together, to celebrate our differences and to understand, in a living way, that to be different does not mean that we are not equal, and to be equal does not mean that we must all be the same. Equality in Canada simply means that no one has the right to discriminate against us because of our differences.

Canadians today face the choice we have faced repeatedly throughout our history: in 1774, 1791, in 1840, in 1867 and 1980. That choice is simple: Quebec will either be a distinct society within Canada, or it will develop as a distinct society outside Canada. The French language and culture, in such a minority position in North America, must continue to find in Canada the freedom and oxygen that will enable them to flourish and endure. The proposal we have put forward with respect to the distinct society which allows Quebec greater protection for its French language and culture, within Canada, combine with proposals on an elected Senate, and self-government for aboriginal peoples.

The proposals are an attempt to reflect the social realities of Canada and shape a stronger economic union. The goal is a more united and more prosperous Canada for this decade and for a new century. These proposals are not the tablets, they are not carved in stone, they are not the last word. The process is open, not closed; the proposals are flexible, not final.

The 30-member special committee of the Commons and Senate is now examining the proposals, and they will recommend changes and improvements. The job of the all-party committee is to listen to the views of Canadians, to work with other legislative committees across the land, in every corner of our country, and to make recommendations by the end of next February, and, if at all possible, in the form of an all-party consensus. The job of interested Canadians, your job, is to work with the committee and give them your unvarnished, constructive views about how we can build a better Canada.

It is not my intention here to pre-empt the work of the committee in any way. I am here to discuss the principles and underlying objectives of our proposals. That they should not be widely known is not surprising: it is a big package and people have other things to do than debate the fine points of constitutional law, not to mention the more arcane aspects of monetary or fiscal policy. That they should be misinterpreted in some places is also normal; that is politics, and there are also those in this country whose agenda is the dismemberment of Canada, not its renewal. But for the majority who want to deal in good faith, there is much to talk about, much to consider, and much to reflect upon.

I have asked only that Canadians examine these proposals in a spirit of fairness. The BNA Act of 1867 was a great compromise, and when Quebec's unique legal system — the Civil Code — was entrenched, those provisions bound no other province, and no one lost by virtue of Quebec winning. No one lost by virtue of British Columbia winning a railway as a condition of joining Canada in 1871. No one lost by virtue of Newfoundland winning constitutional protection for its denominational schools when it joined Canada in 1949. And no one will lose now, by virtue of our proposals to recognize Quebec's distinctiveness, or self-government for our aboriginal peoples, or by an elected, effective and much more equitable Senate, which will give Westerners and residents of the Atlantic Provinces a stronger voice in our national institutions. No one has to lose for another Canadian to benefit.

Nation building is not a zero-sum game. Nation building in any nation worth building, must be a win-win situation for all its people. I ask those of you here today to put yourselves in the shoes of Canadians in the West and the Atlantic region who feel alienated from their parliamentary institutions and have requested Senate reform as a remedy. And I ask you to put yourselves in the shoes of Aboriginal Canadians, whose economic and social situation is unacceptable and who ask only for respect and the tools necessary to do for themselves what paternalistic attitudes have so miserably failed to correct in the past. Whether one lives in the North or the West, in Atlantic Canada, in Quebec or in Ontario, the proposals we have put forward speak of government that is by Constitutional definition more open, more responsive, more national, less bureaucratically centralized, and less wasteful.

On Wednesday in Montreal, I told Quebecers that the real choice they must make is between being citizens of Canada or citizens of another country. I made it clear that separation means more economic barriers, fewer jobs and less prosperity. I invited Quebecers to join with other Canadians to improve Confederation and strengthen the economic union that serves us all. I invite you to do likewise because it is not through cynicism or mean-spiritedness that this great country will be preserved. No single political party, no given interest group, no easy slogan, will preserve Canada. There is no magical solution, no recipe that can easily resolve our problems. Negativism and carping lead only to a dead-end. And so, the only answer is to look within ourselves: each and every one of us will have to do his or her share, with fair minds, generous spirits and open hearts if we are to succeed in renewing Canada. I believe we can succeed.

Consider what we have built together just in the past 30 years, within the lifetimes of most of the people in this room. Since 1961, we have achieved the second highest rate of growth among the G-7 countries. We have the second highest rate of investment growth in the G-7 in the last 30 years. And we have achieved the highest rate of job creation in the

OECD over the 30-year period, average growth of 2.5 per cent, twice the OECD average. We've achieved secure access to the world's richest market, the United States, with whom we conduct \$200 billion a year of two-way trade, the biggest relationship between any two countries in world history.

So there is an impressive story of growth over the last generation, as we have all benefited from our economic union, and from liberalized trading arrangements with our partners. That is why the UN has said after an exhaustive survey that on a series of social and economic criteria, Canada is among the two best countries in the entire world in which to live. All Canadians and all provinces benefit from the growth and productivity we have achieved together.

But to continue the benefits, we must not be complacent in the face of new and compelling competitors. Consider the following: the European Commission has estimated that the creation of the internal market planned for Europe in 1992 will raise average European incomes by at least 6.5 per cent; the European monetary union is expected to raise incomes by a further five to 10 per cent. Applied to Canada, these estimates suggest that economic and monetary union generate an increase of living standard between 11.5 per cent and 16.5 per cent for the average Canadian, or between \$11,000 and \$16,000 for a family of four.

This is Canada as we now know it, a country in which five provinces rely more on interprovincial than on international trade, even though Canada relies more on exports than any G-7 nation except Germany, even though we export nearly twice as much per capita as Japan, and about 2.5 times as much as the United States. Quebec's single largest customer by far is Ontario, which buys 29 per cent of all Quebec exports. And as you know, Quebec is Ontario's most important Canadian customer. This two-way relationship generates nearly \$30 billion in trade, and about 550,000 jobs in the two provinces now depend on that relationship continuing.

But just as Canadians share the benefits of growth in good times, we also share the benefits of fairness in hard times.

The resources of the economic union provide benefits as it has this year to farmers and fishermen — farmers hit by the international grain wars, fishermen by seasonal ice conditions. The Government of Canada doesn't do these things for Western farmers or Atlantic fishermen; it does them on behalf of all Canadians, for their fellow citizens who are in difficulty. The governing principle of an economic union is having a firm basis for economic development to ensure the availability of resources, when necessary, for sectoral assistance, fairness and sharing, within the means of all Canadians. It is the basis of being able to afford our social safety net, and the unspoken but real commitment all Canadians share to social justice. That is the governing principle of equalization payments to the poorer provinces, which ensures their provincial governments have reasonable revenues to provide comparable levels of services at comparable levels of taxation.

The best assurance of creditworthiness for provinces, private corporations, public and community institutions, of individual Canadians in global markets, is the brand name we all share, the brand name Canada. But we need to strengthen the Canadian common market and the Canadian economic union, and we need to achieve efficiencies in government, and in the process bring government closer to the people. That is why we are proposing that the Common Market clause of the Constitution, which was written for the needs of a pre-industrial society in 1867, be updated to include the free movement of persons, services, and capital, as well as of goods within the Canada of the 21st century. And that is why we are proposing new mechanisms to allow the Federal Government to work in co-operation with the provinces in managing the Canadian economy.

I ask those who oppose a stronger economic union: how can we generate wealth, reduce costs and enhance competitiveness without it? If the Government of Canada and its partners in the G-7 can co-ordinate monetary and fiscal policy, should not the Government of Canada and its partners in

Confederation be able to do the same? If the OECD can monitor the policies of 24 nations, cannot Canadians in 10 provinces and two territories do precisely the same thing? We want to make it easier for Canadians to live and prosper in their own country. We want to co-ordinate the actions of federal and provincial governments. And we want to get bureaucratic overlap and waste out of the system. And I say to you, yes we can, provided we work together, provided we stay together.

When I came to this historic forum last winter, I put before you six principles for a renewed Canada. One, any proposals must promote greater prosperity for Canadians. Two, the proposals must promote a more efficient federation and a more competitive Canada. Third, any proposals that promote the diversity of Canadians must respect their equality. Fourth, any proposals must be achievable. Fifth, any proposals must maintain national objectives and goals. And sixth, we were prepared to consider any proposals that moved government closer to the people, bearing in mind that federalism is a two-way street. I believe an objective examination of the government's proposals will establish that we are holding firm to those principles. We want a constitution, in D'Arcy McGee's words, "cherished in the hearts of its people." Our proposals are on the table. Our principles are clear. Our objectives are widely shared. The unity and prosperity of Canadians are inextricably linked. It is now those who suggest otherwise that have some explaining to do.

Offering the working men and women of Quebec or Western Canada — a leap into the dark by focusing only on what is wrong with Canada — is no longer good enough. What would be the precise gains for the average Quebecer or Ontarian from dismembering what the UN describes as one of the two best countries in the world? Those who offer the siren call of independence have a case to make, and they have an obligation to make it in clear daylight and persuasive detail. And those in other parts of the country who would confuse resentment with reform; whose New Canada leads

inevitably to two Canadas; who advocate the election of MPs so intimidated by the threat of recall by special interests that they will never have the courage to act in the national interest; who dream of a parliament so fragmented that the national well-being will be subordinated to the whims of regional groupings; those people also have some explaining to do.

Leadership is the capacity to take tough decisions and the strength to see them through. Canada cannot be governed by an avalanche of referenda, recalls and public opinion polls. Canada's problems are too intractable and complex to be resolved by those who value personal popularity above fundamental duty. In the end, someone has to take the heat. Reducing Canada's domestic market by almost seven million people, reducing Canada's continent-wide reach and slowly closing our hearts to the world, to the refugees and to those who would bring resources, ability, personal will and determination to help us build this land from abroad, this is not the path to maximizing who we are as a nation and what we should try to achieve together. To put it bluntly, one does not build a nation through closing off channels of communication with important segments of the population.

Whatever some people may try to tell you, indifference to the needs of one's compatriots is malignant, never benign. Becoming unalterably unilingual and intolerably unicultural in a world of ever proliferating cultural and linguistic realities would be equally damaging to the economic prospects of every Canadian in an ever more global trading community. And so reasonableness and fairmindedness must be our guides.

As Cartier said of Confederation in 1867: "We sealed our pact without bloodshed, and without exploitation of the weak by the strong. All it took was fairness, justice and some compromises on both sides." And he continued, "I hope that if it must be amended, it will not be to narrow the principles of fairness on which it was founded, but rather to enlarge them even more..."

Let us focus on what this critical debate is truly about. It is about you, your children, your family, your future, and your country. Those who differ with the government I lead, or who may have no time for our policies, will not, I hope, confuse that opposition, to which they have every right, with their collective duty, as it is ours, to set partisanship aside when the survival of the nation itself is at stake. There will be ample time in elections to come for those bent on settling partisan scores to do so with the full will and might that our electoral system clearly and amply provides.

Those on the far left and those on the far right who would be just as pleased to combine this debate about the future of Confederation itself with their own ideological agendas had best wake up to the fact that the end of Canada means the end of all agendas because there will be no resources available to make the debate about different agendas worthwhile. Getting our act together, reaching an honourable and fair-minded accommodation, stepping back from the politics of crisis to the constructive activities of re-Confederation, this would send powerful signals to the world and above all to each and everyone of our own citizens.

We would send a powerful message to every young person in this country that, as this nation's potential is beyond limit, so too is theirs. We would say to every community volunteer, every reserve sailor, airman and soldier, to every parent, every student, and to every veteran who had fought for this country in the past, that which unites us, that which makes us uniquely Canadian, that which pervades our collective values as citizens, remains important, remains enduring and will in fact prevail.

Never, in the broad sweep of Canadian history, have so many held the key to doing so much for this country's future. For the aboriginals who lived and pioneered her first, for the immigrants who came and sacrificed together. For those who fought and died abroad so that we might live in freedom, we must not fail. Let us all reach out to each other. Let us honour the values of the Canadian ideal. To share. To believe. To

trust. To aspire. To respect oneself and each other. As Sir John A. Macdonald said: "Let us be English or let us be French but above all let us be Canadians." Being Canadian is infinitely more important than being Liberal or Conservative, right or left, labour or business, from the East or the West.

If we maintain our solidarity and our determination in the coming months, Canadians in the year 2000 will live in a country of at least 30 million that respects diversity and is proud of its identity. They will live in a country — Canada — that produces approximately \$1 trillion in goods and services annually, and ensures its citizens one of the highest standards of living in the world. A country where the annual income of a family of four will be nearly \$20,000 or 25 per cent, greater than it is today. Canada — a country where more than 2.5 million new jobs will have been created. Canada — a country where illiteracy rates will have been reduced by at least half and where all children will have equal opportunities for good health, safety and success. A country whose freedom and democracy are the hallmark of our citizenship. Our children are the Canadians of the year 2000. They are the ones of whom we must think today.

The appreciation of the meeting was expressed by Roland Lutes, President, The Canadian Club of Toronto.

Mr. Prime Minister, I can assure you that your words have fallen on attentive ears today. Your remarks and the proposals for constitutional reform are the catalyst for the national dialogue Canada earnestly needs at this time.

Many of us, myself included, have taken the opportunity to read the constitutional proposals outlined by the Federal Government a few weeks ago. I recommend them highly for those of you who haven't yet had this opportunity. The Canadian and Empire Clubs have arranged to have copies of these booklets available for you today.

One is called *Shaping Canada's Future Together* and the other is called *Canadian Federalism and Economic Union*.

They are on tables just outside the door of this room.

Everyone who reads the proposals will have a slightly different interpretation, I'm sure, and a different set of questions. Fortunately, we have just had a chance to hear from the chief architect of these

proposals and may have had some of our questions answered in the process. I certainly did.

But these proposals, as carefully crafted as they may be, can only renew our resolve and point a direction toward constitutional reform. If we're going to make this work, we need to breathe life into the proposals with human qualities like understanding, goodwill and good faith. Success will also require the acceptance of our individual responsibility for a role in the future of this country.

Mr. Prime Minister, I understand your vital interest in this issue and I wish to extend thanks to you for being with us today. Mrs. Mulroney, thank you for being with us today. On behalf of the Empire and Canadian Clubs, we appreciate both your message and your efforts toward constitutional reform. Thank you again.



October 31, 1991

Monte Hummel

President, World Wildlife Fund of Canada

ENDANGERED SPACES: THE FUTURE FOR WILDERNESS IN CANADA

Introduction: John F. Bankes

President, The Empire Club of Canada

"Nature to be commanded, must be obeyed."

Sir Francis Bacon

Picture the opening scene of *Winnie the Pooh*. Edward Bear is being dragged down the stairs on his head behind Christopher Robin. Edward Bear is reflecting on the classic existential irony. He knows, we are told, there must be a better way to come downstairs; if only he could stop thumping and think about it!

A growing number of environmentally responsible citizens, both individuals and corporations, face a similar quandary. To date, we have appeased our conscience mainly by heightening our awareness of environmental issues and by avoiding the products and services of manufacturers and suppliers who have poor records on environmental animal rights and other issues. The approach is, of course, perfectly consistent with the thumping immediacy of pollution, the extinction of species, and the like.

Still, many of us would like to find a more positive or proactive way of working to achieve an environmentally friendly world.

The people working at World Wildlife Fund, including our guest speaker Monte Hummel, exemplify this dedication and commitment

to the cause of conservation. As part of a network of 28 affiliate organizations with 3.7 million supporters around the world, WWF's mission in the 1990s is to achieve the conservation of nature and ecological processes by:

- first, preserving genetic, species and ecosystem diversity;
- secondly, ensuring that the use of renewable natural resources is sustainable both now and in the longer term;
- thirdly, promoting actions to reduce, to a minimum, pollution and the wasteful exploitation and consumption of resources and energy; and
- finally, stopping, and eventually reversing, the accelerating degradation of our planet's natural environment, and to help build a future in which humans live in harmony with nature.

These objectives are ambitious. However, as trustees of a huge, magnificently endowed slice of the world's real estate, Canadians carry special responsibilities in planetary housekeeping. No group in Canada feels this more intensely than the people working at WWF and their financial partners, represented at the head table today by the Canada Life Assurance Company.

The Empire Club is honoured to have as its guest speaker today the President of WWF Canada, Monte Hummel. Monte's roots in environmentalism run deep, reaching back to the hydro camp in northwestern Ontario where he grew up. When Hummel's Ojibway schoolmates were stricken with mercury poisoning caused by eating fish from the English-Wabigoon river system, an environmentalist was born. He enrolled in philosophy at the University of Toronto and, as a Child of the '60s, moved on to Pollution Probe, which he co-founded in 1969, and on to a score of environmental groups he has been involved with since.

Monte's current challenge is the Endangered Spaces campaign. The campaign was launched by WWF in 1989 to dispel the myth that Canada is a land of limitless wilderness, and to ensure that a network of protected wilderness areas is established across Canada by the year 2000. The Canada Life Assurance Company is supporting the Endangered Spaces campaign with a major grant of \$500,000 over five years.

Ladies and gentlemen, please welcome Monte Hummel.

Monte Hummel:

Thank you very much. I think environmentalists have a reputation of being a rather dour bunch of people and you have standing before you someone who was raised in a hydro camp north of Kenora.

One of my lesser claims to fame is I went to Woodstock for my honeymoon; I am indeed a child of the '60s.

It's a great pleasure to be here. It's been said that the '90s is going to be a decade when the earth speaks back. There's no doubt in my mind that that's going to be true. I guess what is yet to be determined is whether we will listen and I thank you for being here to listen to the earth speak back today.

I feel that if I'm not preaching to the converted, I'm at least preaching to the predisposed. And I would like to move right into some slides; and embark on explaining fairly concisely what an endangered species campaign is all about.

This campaign was launched in September 1989 by the World Wildlife Fund (Canada). For those who may not know too much about the WWF, we're the group with the panda for a logo and a prince for a president. I'm told that one out of two Canadians recognizes that WWF stands for World Wildlife Fund and not the World Wrestling Federation.

We raise a couple of hundred million dollars a year worldwide, about \$6 million a year here in Canada. We are represented in 28 countries and have raised about \$700 million since our founding. We have supported 7,000 projects in 130 countries.

Our aim is to conserve the variety of life, the biological diversity of our planet. Prince Philip is our very active international president; I am told that he spends upwards of a third of his time now working for World Wildlife Fund.

I think, if we're going to talk about endangered species I must say that our entire world has become an endangered space, we quite literally cannot do one thing in one part of the planet without it affecting something somewhere else.

We're going to talk about a magnificent piece of real estate, a slice of the globe called Canada. I love this slide because it pictures Canada as a beautiful green entity. I don't like it because it creates the image that we have unending natural habitat in this country, which is not true.

I'd like to take you on a whirlwind tour of our country, just to give you a sense of what's at stake, before I break into a

few charts and graphs. Starting in the Arctic, this is what a lot of people who don't live in Canada think of Canada. They think of polar bears in the Arctic. Indeed it's true, Canada still does have vast expanses, and this slide encapsulates my message, if you want to save endangered species you've got to save endangered spaces.

It's like that polar bear, you've got to save that Arctic marine ecosystem that you see all around that bear in that slide.

Here is an aerial shot of Ellesmere Island, this is to represent the space. We have to hang on to the space if we want to save those species.

Moving further into the tundra regions, we have the world's healthiest population of wolves. Many countries are trying to hang on to the last remnant, the last handful. My colleagues in Scandinavia are astonished when they hear of us eliminating hundreds, and in some cases, thousands of wolves from river valleys in Canada in predator-control programs.

Well here's the chance. We have 17 subspecies of wolves in Canada. Here's the chance to hang on to the magnificent symbol of the wilderness and not repeat the mistakes made elsewhere. Now extinct in 14 countries in Europe, disappeared from the southern portions of our country as well, 95 per cent gone from the southern United States.

More of tundra species, the caribou, and this is the space, the Arctic tundra, often called a barren land. You can see it's not barren at all, it's a very rich garden that deserves our conservation concerns every bit as much as other more spectacular habitats in Canada.

And this is to remind us that we're not just talking about wildlife, we're talking about the future of people who still depend on wildlife. Aboriginal peoples, obviously are in the front line, but so is everybody who depends on pharmaceutical chemicals. Forty per cent of our pharmaceutical chemicals still come from raw plant derivatives.

Moving to the West Coast, this is a sea otter that leapt into prominence with the Valdez oil spill. An endangered species in Canada. We have the world's healthiest population, not only of wolves, but of bald eagles, particularly up the West Coast through Oregon, British Columbia, Yukon and Alaska.

We've just finished a book called *Wild Hunt*, on the top predators and the large carnivores of Canada. These are the most demanding species for conservation because they demand the most space. Believe it or not, we have yet to establish one reserve for grizzly bears in this country. Some of our national parks are protecting them almost by accident, they were never designed to do that. The grizzly is making its last stand on a planetary basis, in our country and we've yet to establish a reserve to protect this magnificent animal.

This is the old-forest from the West Coast around which there has been so much debate. This, of course, is a Haida totem from the Queen Charlotte Islands.

Into Alberta, this is called the Aspen Parkland habitat of Alberta where the grassland meets the forest regions of the north. This has been 80 per cent eliminated from the landscape of Canada. This is a shadowy peregrine falcon, the fastest living thing on earth that we know about, dives at speeds of up to 250 to 275 kilometres-an-hour.

An endangered species in Canada, it is being reintroduced into Alberta and other parts of the country with the help of sponsors such as Canada Life.

This is the Red Deer River; the most endangered wildlife habitats in our country are our Prairie grasslands. Into Saskatchewan, more of our Prairie habitats, the antelope for which the very first reserves in Canada were established. The burrowing owl, a very small and interesting animal that lives in burrows. A threatened species, it's been hit very hard by agricultural pesticides.

This is the black footed ferret, another interesting little predator that we've eliminated from Canada. It's been slowly reintroduced into the United States from breeding in captiv-

ity. The ferret feeds on prairie dogs, which itself has become a threatened species in Canada.

Into Manitoba, one of my favourite provinces. This is a weasel, a very interesting little critter that's threatened in Canada, that lives around wetlands of Manitoba. We're working with Manitoba trappers to make sure that this animal isn't trapped, particularly by accident, in the course of trapping muskrat and other more abundant species.

The bison or buffalo, we have a wood bison and a plains bison in this country. Fairly sad testimony to what we've done to Prairie habitats.

And this is a sign of hope, this is the white falcon, the corporate logo for Canada Life. It amuses me that this bird was chosen because they thought it was such a good parent, reflected a caring approach to life, a good symbol for an insurance company.

This is a lousy parent. In fact, this bird is endangered because it so readily abandons its young in the spring.

This is another sign of hope, the pelican. It has been taken off the endangered species list, a direct result of work supported by Canada Life. It was the first species taken off the endangered species list. We've just stopped bugging it in the spring and we're protecting its space, its habitat.

This is the most endangered species you'll see in the whole slide show, it's the tall grass prairie. It's over 99 per cent gone from the Canadian landscape along with the host of species that depended on this particular space.

Here we are in Ontario. This is a lousy picture of a wolverine, but there's nothing but lousy pictures of wolverines, a very rare species in Northern Ontario. Way down on the other end of the province, in the south, this is a possum, a species more typical of the Carolinas. That's why this is called the Carolinian zone of Canada, sort of a straight line between Toronto and Goderich, south is the Carolinian zone. Other species, such as the cucumber tree, are found in the Carolinian zone.

And, of course, this is over 90 per cent eliminated because of urbanization of agriculture, tremendous pressures on this particular space in Canada.

Into Quebec — the band of whales hanging on in the St. Lawrence River, classified as an endangered population. If we're going to save them we have to save their space in terms of cleaning up pollution in the St. Lawrence and protecting the rivers that drain into James Bay. Again, a big debate about flooding and the impact on endangered populations all up the east coast to James Bay, Hudson's Bay.

And into the Maritimes, the Atlantic Provinces, this is the white whale, one of the most endangered whales in the world. And it gives us a chance to say that we're talking about marine spaces too, not just land spaces. This is the coast of Cape Breton and some of the last remaining Acadian hardwood forests. Another very endangered habitat in our country.

The eastern cougar is classified as endangered, it's very likely extinct. But every once in a while there's a few people who think they see these every year. We've lost the cougar because of what we've done to its hardwood habitat in the eastern part of the country.

And this is a sand dune in Prince Edward Island, again to give you a sense of the variety of the biological tapestry that we're talking about in our country. And finally to Newfoundland and Labrador. Here are some Maritime woodland caribou on their way to the wilderness area that houses 10,000 of these caribou. Here's a shot of the Bayview North, a very beautiful wilderness area that was protected a few years ago — a major conservation accomplishment that didn't really get the national attention it deserved.

So the message is, if you want to save an endangered species you have got to save endangered spaces. Most experts indicate or project that between 750,000 and one million species that now exist on the planet will be endangered or lost within 10 years. If we're going to save those species you have to save these spaces.

These are the areas, the natural regions of Canada, forests, and biology and geography; it's what God gave us. This is a relatively non-controversial exercise, mapping your natural regions. We probably have about 350 natural regions, distinguishable natural regions in Canada.

The dark ones are the ones judged to be adequately represented with protected areas of some kind. In other words, a park or wilderness area where there is no industrial development, no logging, no mining, no hydroelectric development. The grey lines are sort of partially represented and the white part of the country is where we either haven't mapped our natural regions or we haven't set targets and decided to try and establish protective areas to represent those natural regions.

We've really done less than a quarter of the job so far in terms of representing our natural regions in Canada with protected areas. We're trying to get all the grey and the white off the map and make sure that all of our natural regions are adequately represented through the endangered species campaign.

So this is our goal. To establish a network of protective areas representing all the natural regions in Canada, adding up to at least 12 per cent of our lands and waters, by the year 2000. Twelve per cent wasn't pulled out of a hat; it came from a very well known international report on the environment and development, a United Nations report.

We have a country of about 10 million square kilometres. If we protect 12 per cent of it, that would be 1.2 million square kilometres. So far, we've reserved about 6.8 per cent and, in fact, we've only protected, in a sense of free from industrial development, about 3.4 per cent. It's taken us over 100 years to get this job barely half done and we're seriously suggesting to get the rest of the job done within the next 10 years. We've boiled this agenda down into a Canadian Wilderness Charter; there are copies of the charter available and we would be delighted if you would consider adding your name. We're looking for a million signatures for that charter.

Here's what we've been able to do so far. We have six jurisdictions that have committed themselves to the endangered spaces campaign. Ontario, the Federal Government, Saskatchewan, Manitoba, B.C. and Yukon. We have about 235 endorsing organizations, the largest coalition ever pulled together around an environmental concern in Canada. We have 350,000 signatures so far on our charter.

Our book *Endangered Spaces* has become a bestseller in Canada, I'm pleased to say. And I'm sure that Angus Scott of the Canadian Parks and Wilderness Society is pleased because his organization gets all the royalties. We have wilderness crusaders raising money up and down the country, and finding signatures for our charter.

We have very strong media support, and we have support from the Canadian Chamber of Commerce and from organizations such as Canada Life and Canadian Airlines.

Yet despite all this effort and support, at this point last year we protected 3.4 per cent of Canada. And at this point it's still 3.4 per cent. Ontario has set targets for natural regions, it's represented almost half of its natural regions, 32 of 65, and made a commitment to the Endangered Spaces Campaign. And yet the per cent change over the last year has been zero in terms of specific growth. So we gave Ontario a C+, one of the best.

Are we going to give up, is this just too challenging for the Canadian political system? We don't think so.

This is the situation in Ontario, probably the most progressive jurisdiction in the country on this particular environmental item. You can see a large number of the natural regions are represented here. But the challenge in Ontario is to complete the job, get the job finished. We've mapped out detailed action steps for every jurisdiction. You can see we're talking of specific sites and specific areas here in Ontario.

We've mapped this kind of an agenda out for every province and territory now, and over the next year we'll be

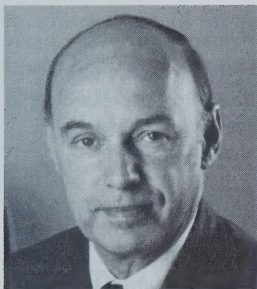
measuring progress. We're not going to go away. We will publish another progress report after a year.

How you can help?

You can press for progress on the action points, they are available from Wildlife Fund. We invite you to sign the Canadian Wilderness Charter. Become a wilderness crusader, climbing the CN Tower on Earth Day again this year.

We're not going away. But conservation in Canada must move more quickly. In coming back to my introductory note, I am convinced that the '90s will be the decade when the earth speaks back. I thank you for listening and I guess the proof of the pudding will be what we're going to do about it. Thank you very much.

The appreciation of the meeting was given by Peter K. Hendrick, Vice President and Director, Wood Gundy Inc., and a Director of The Empire Club of Canada.



November 7, 1991

James Jones

Chairman and CEO, American Stock Exchange

BREAKING DOWN THE WALLS: CREATING CLOSER NORTH AMERICAN TIES

Introduction: John F. Bankes
President, The Empire Club of Canada

"He speaks English with the flawless imperfection of a New Yorker."

Gilbert Millstein

Disaster! That's the first thought most investors ponder when they consider stock market performance in October. The examples of stock market weakness in October are legendary. Consider the stock market crashes — or as former SEC Chairman David Ruder prefers to call them "the compressed large downward moves in stock prices" — in October 1929 and October 1987. Weakness has occurred so frequently during that month that some technical analysts talk about "The Ides of October."

It's now November and time to drink to having survived October. Only the bears got clobbered last month, as stocks large and small soared to stratospheric heights.

Another theme we ought to drink to is the theme of change. Change is one of the constants in our lives; it always has been. It is said that, when Adam and Eve were cast out of the Garden of Eden,

he turned to her and said: "My dear, we are living in a time of transition."

One of the areas where we are seeing the greatest degree of change or transition is in our capital markets and, in particular, in some of the institutions that play a key role in the marketplace.

The American Stock Exchange is a good example. Over the past couple of years, the AMEX has introduced a number of fundamental changes, including the proposed listing of companies with smaller market capitalizations — the "incubator" market for fledgling companies that are heavily into R&D; and the setting up of so-called "skunk works" — after the entrepreneurial think tanks of Silicon Valley — in which the Exchange works with member brokerage firms to create new securities.

Our guest speaker today, James Jones, has launched a number of these initiatives. One commentator has credited Mr. Jones with having turned a "sleepy sister into an active competitor." Trading volumes on the AMEX have risen dramatically compared with declines on both NASDAQ and the Big Board.

Another recent initiative of the AMEX is the drive to recruit Canadian listings — a sign of the withering away of the walls that separate the U.S. and Canadian capital markets. The Exchange presently includes listings for such prominent Canadian corporations — some of whom are represented at the head table today — as Brascan, Cominco, Echo Bay, Gulf Canada, Imperial Oil, Inter-City Products, Norcen and Rio Algom. The AMEX has recently stepped up its marketing campaign to attract listings by Canadian companies in the light of new cross-border disclosure rules by U.S. and Canadian regulators.

Our guest speaker today, Mr. Jones, has been Chairman and CEO of the AMEX for two years.

He is also an answer to the question: Is there life after politics? Prior to accepting his posting at the Exchange, he had served in the U.S. Congress for 14 years, from 1972 to 1986, representing the First District of his native Oklahoma. His stay in Congress included a stretch as Chairman of the House Budget Committee. As well, he served on the powerful House Ways and Means Committee. Mr. Jones was recognized as a leader in the areas of budget, tax, international trade and health care.

In the 1960s, Mr. Jones worked in the White House under President Lyndon Johnson, first as a special assistant and later as the youngest Presidential Chief of Staff in history.

Mr. Jones has also practised law and is currently Chairman of the American Business Conference.

Mr. Jones intended to address us today on Breaking Down The Walls: Creating Closer North American Ties. Over lunch, he has been recrafting his remarks and has warned me that he may deviate from his prepared text.

Please join me in welcoming James Jones.

James Jones:

As you have already figured out from my accent, I'm a foreigner. An American to be exact. Oklahoma born and raised. But I have to tell you I feel incredibly at home in front of you today. But that's not surprising. In fact, given the history that the American Stock Exchange shares with your country, I would have been shocked if I felt any other way.

The American Stock Exchange and Canada have always had a special relationship.

We have many friends here, and this morning I had the pleasure of meeting again Pearce Bunting, President of the Toronto Stock Exchange. I have the highest regard for Pearce and the leadership he provides to the Federation of World Stock Exchanges. It is always a pleasure to visit the Toronto Exchange.

Our ties with Canada, of course, go back a long way. I believe one of your major corporations — Imperial Oil — has been with us since 1929, before most of us were born. Speeding up time a bit, the electronic link between the AMEX and the Toronto Stock Exchange back in 1985 was the first two-way hookup between primary equity markets in different countries.

As with many pioneering efforts throughout history, perhaps the link was ahead of its time. But it did pave the way for others, and perhaps the next time Pearce and I meet up, we should revisit the linkage in the context of a new and different type of alliance.

There are 51 Canadian-based issues now trading on the AMEX. No other country — other than the U.S. of course — comes close to being that well represented on our Exchange.

In fact, there are more Canadian companies listed on the AMEX than on any other American Exchange.

Those Canadian issues account for more than six per cent of the volume on our Exchange on any given day, and the investors buying into those firms are clearly onto something. Even though Canadian-based companies account for just under five per cent of the total number of firms listed on the AMEX, they make up 24 per cent of our market value.

So as you can see it's no wonder I feel comfortable standing here this afternoon. The relationship between Canada and the AMEX has always been close, and it is exactly that relationship I want to talk about today. For as close as it has been in the past, I think it must become even closer in the immediate future — for our benefit, as much as yours.

I'd like to talk about two things this afternoon. First, I'd like to discuss the easing of legal and regulatory barriers that are permitting more Canadian companies to list on American exchanges.

And my second topic is directly related to the first. I want to explore with you the idea of creating a North American Trading Group, an alliance that would include not only the United States and Canada, but Mexico and perhaps other Latin American countries as well.

Let me start with regulations, and tell you a story which — I'll concede at the outset — shows that you are a lot smarter than we are.

A couple of years back our people in New York came up with the idea for a new product: one that would essentially give the holder of the security the equivalent of a position in stocks of an entire index. We called them equity index participations. This was one of the most successful new products to come down the pike. It had attracted substantial investor interest. And we were very excited about it. We thought it had a chance to be a big winner.

And it still might be — some time in the future. Equity index participations became snared in a web of regulatory

red tape in Washington. You, on the other hand, had no such problems.

The Toronto Stock Exchange agreed this was a good idea. So good, in fact, that it created a very similar product, the one you know as TIPS, an index which monitors the performance of the 35 leading Canadian stocks, and is based on the same concept as our index participations. And it's proving that the instincts of our people were right. I understand it is a very popular product. But it's only available up here. You can't buy TIPS on the AMEX, or any other American exchange. However, I understand that only recently The Toronto Stock Exchange filed with our SEC to have TIPS marketed to investors in the United States.

Now granted this is one isolated instance, but my question is why should this sort of thing happen at all?

Why should we have any regulatory barriers between our two countries when it comes to the trading of securities? Why shouldn't it be easy for us to list our stocks and products on each other's exchanges?

The answer is it should be easy, and I'm happy to see that our SEC and your Canadian regulators took a major step in that direction earlier this year. As many of you know, the SEC changed its rules to allow Canadian companies listing on a U.S. exchange to use the same modified disclosure system that is available to all other non-U.S. companies, including Canadian companies traded in the U.S. over-the-counter market.

What this means is Canadian companies listing on the American Stock Exchange will no longer have to disclose managers' salaries; they will be exempt from U.S. proxy rules, and also from other inside reporting, short-swing profit recovery requirements.

This long-awaited rule change was part of a larger effort, called the Multijurisdictional Disclosure System (MJDS) which will allow world-class Canadian companies to use customary Canadian documents to offer their securities and fulfil reporting requirements in the U.S.

There may have been a time when those regulatory hurdles were a worthwhile way of protecting your country and mine. After all, those barriers were just another example of the protectionism that used to be rampant when the world was a lot bigger.

Back when worldwide communication, travel and trade were extremely difficult — if not impossible — regulators would do whatever they could to make sure that the home team got an edge when foreigners invaded. Be it with restrictive trade policies — or securities regulations — they'd try to make it difficult for outsiders to do their business on their turf.

But with Europe 1992 now less than two months away, you can see just how outdated that kind of protectionist thinking is, especially when it comes to securities law.

The 12 nations that will make up a unified Europe are now reviewing and revising the financial regulations that govern their public markets. When they're done, the expectation is that each country will accept the accounting, reporting, and disclosure rules of the others.

The result will be startling — and long overdue. No longer will you have to meet 12 different sets of standards, if you want to trade securities in Europe. There will be one, uniform standard. A standard that will also provide a level floor of protection for all European investors.

That kind of thinking is not only needed in Europe, but throughout the world. There needs to be one basic set of regulatory rules that governs major public offerings everywhere.

Security regulations should reflect reality. And the reality today is neither investors, nor companies, only look within their borders when it comes to finding the best possible use for their money.

The proverbial grandmother in Tulsa or Toronto is literally shopping around the world today, in search of the highest return on her investment. Whether she puts her money in things like global sector funds — where you can invest in specific areas of the world, Germany or the Far East

for example — or things like the Nikkei warrants, that we at the American Stock Exchange introduced, she is constantly looking for the best deal.

Companies are also; and regulators need to make their search easier.

Just yesterday I had the privilege of addressing my own securities industry, specifically the group of American lawyers who are in charge of regulating securities trades. Unequivocally, I suggested we needed one worldwide regulatory standard, a standard that must do two things: (1) Make it easy for companies to access capital worldwide, while (2) fulfilling our obligation to protect the investor. For any stock exchange to succeed, investors need to believe that it is above reproach.

You all have probably seen the old American Western where a cowboy, who probably has had one too many, continues to play a slot machine, or in a poker game, even though he knows the game is rigged. When asked why he continues to risk his money, even though he's sure to lose, the fellow says: "Because it's the only game in town."

What holds true for drunken cowboys most decidedly does not hold true for today's sophisticated investors. If the game is rigged — or even if they just think the game is rigged — they simply are not going to invest.

As was mentioned in that very nice introduction I received, I've spent a lot of my life in Washington, first in the White House as Lyndon Johnson's Chief of Staff and later as a Congressman from Oklahoma. These experiences, plus those during my present role at the American Stock Exchange, led me to the conclusion that financial markets are a lot like governments. In both places, the confidence factor plays a huge role. If people stop believing in their government, you lose the ability to govern. If people don't believe — or stop believing — in the absolute fairness of an exchange, they won't invest. You lose the ability to provide a liquid marketplace. The only way you will ever have liquidity is if investors

believe they are competing on exactly the same footing as everyone else.

That's why absolute protection for investors must be the starting point in any discussion of securities law, whether you are trying to create efficient stock exchanges, as they are now in places like Taiwan and Poland, or talking about changing existing ones. And that protection is also absolutely necessary if we are ever to have one universal regulatory standard, because that standard will have to be something that everyone believes in.

Now a single worldwide regulatory standard is a tall order, and one that is not going to happen overnight. However, removing the regulatory barriers that exist between your country and mine is not quite as complex. And if we are doing it, and Europe can do it, the rest of the world just might be convinced such a universal standard is possible.

Uniform standards would go a long way to make it easier for companies to raise capital in other countries. Let me bring that point closer to home. For instance, the SEC's rule changes should make it easier for Canadian companies to raise capital in any number of ways. Let me touch on a few of them, briefly, and, for the sake of argument, let's say a Canadian firm decides to list on the American Stock Exchange.

(In my only overt commercial pitch today, let me say that I hope a number of them do).

There are three major advantages in being listed in both Canada and the U.S.: Less red tape, greater visibility, and increased marketability. Let's take them one at a time:

- **Less Red Tape:** If you are traded on the AMEX, you are automatically exempt from state registration and filing fees in virtually all of our 50 states. Also, the fact that you've been filing reports with the SEC as part of an exchange listing, will facilitate the preparation of a '33 Act registration statement and prospectus, if one is required for a public offering in the U.S.

- **Greater Visibility:** Analysts, brokers and investors pay attention to stocks listed on major exchanges. And we make it easy for them to meet the people behind the companies through our AMEX Clubs, which are located in 19 key business centres throughout the world, including the two in Canada — one in Montreal and the other right here in Toronto. These are forums in which listed company executives can deliver corporate presentations to groups of investment professionals, principally brokers, analysts and money managers. And, as some of you probably know, the AMEX also sponsors the annual Canadian Oil and Gas Symposium, held just last month — again right here in Toronto.
- **Increased Marketability:** The cornerstone of both The New York and American Stock Exchanges' auction market is the specialist who assures investors that there will be a fair and orderly market in every stock. One of our primary customers is the public, and our studies show that investors trading in the auction market pay far less in trading costs than those in the dealer market system.

Furthermore, during market aberrations, specialists have the affirmative obligation to buy or sell in the absence of public orders in order to maintain a liquid market. This is very important to shareholders in an uncertain market.

We at the AMEX are looking to further help that marketability in different ways, all part of a larger commitment we've made which is to provide total quality service to our customers. It's a very serious commitment on our part, and will require us to meet some pretty tough standards, including satisfying our customers not only the first time — but every time.

It's also pretty basic. You ask customers what they want, and then you give it to them.

At the heart of everything we are trying to do is the fundamental recognition that the needs of our customers come first. And, as I've already indicated, those customers are not

just in the United States, but in Canada and spread throughout the world.

One example of providing that needed service is in the area of research. Those of you in the audience from the securities business no doubt have seen the dropoff of quantitative and qualitative research on publicly-traded companies since the 1987 crash. We long suspected that brokerage firms have scaled back on the research they provide.

The net result is this: Many companies — particularly the mid-sized firms and growth companies for which our exchange specializes — aren't getting as much coverage as they used to get. That makes it harder for investors to make educated decisions, and it also makes it a lot harder for these less well known firms to get their story across. Without information, you know what happens. Confidence in the equities markets suffer, and — as a direct result — liquidity falls.

To ensure they have access to needed research, we are seriously considering creating a separate entity devoted exclusively to industry research — on our own companies and others. This new entity might be in the form of an independent subsidiary, or it could be some type of joint venture.

Another way of helping is through the new marketplace that we'd like to create. You may have read that the American Stock Exchange is in the process of creating a new marketplace for companies smaller than the ones that currently trade on the AMEX.

Let me tell you how this idea came about.

More than two years ago we recognized there was a group of emerging companies that were not getting all the services they needed to grow. Most notably they were lacking three things: Access to the auction marketplace that we talked about earlier, specialist support, and short-sale protection.

Earlier this year, these deficiencies became even more apparent when the credit crunch for these companies reached crisis proportions. So we stepped up our efforts to serve these firms through the development of an incubator market, which we call the Emerging Company Marketplace.

By early next year, we hope to have approval from the SEC to begin operating it.

We are excited about the idea. We have had calls from people representing Canadian companies since the announcement, so apparently the concept has generated some interest up here.

Companies will be accepted for listing on the new exchange according to two standards. First, they'll need the endorsement of a blue-ribbon panel of small-company experts who will determine if the company is poised for substantial growth.

Second, they will have to meet a specific set of financial criteria, financial criteria that accurately reflects the reality in which an emerging growth company operates. For example, we won't require these companies to have \$750,000 in annual pre-tax earnings, the minimum standard to be accepted on the AMEX. That just wouldn't make sense. Often new and rapidly growing companies operate at a loss, while their products are being developed. The financial standards for listing on the Emerging Company Marketplace will recognize that rapidly growing companies often have atypical balance sheets.

We think the idea of an emerging company marketplace is over-due. This new market will provide smaller growth companies with the discipline, liquidity and efficiency of an auction market which can only help them.

And the idea of the marketplace also fits in very nicely with our plans to do everything we can to satisfy the needs of our customers. If small and mid-sized companies need a new exchange to help them grow, it is up to us to create it. As you have already figured out from all I've said, the AMEX is dedicated to becoming known as the customer driven exchange.

Having Canadian companies list on American exchanges, and American companies list up here, is an excellent way of tying our two countries closer together economically. I understand there are more than 50 U.S. companies listed in Canada. But I think we have to do even more. I think we have

to move to create a North American Trading Group or Alliance, just as a precautionary measure, if nothing else.

While I personally hope the Uruguay round of trade talks will be successful and Europe '92 will result in free and open trading, my fear is that the talks may fall short of the mark. The result could be a protectionist market, particularly in the manufacturing sector initially. Very likely trading blocs will evolve until we get multilateral free trade agreements.

Now, I am a free trader. Always have been, always will be, and I take great pride in the fact that I testified before the U.S. Congress in favour of the Canadian Free Trade Agreement and, more recently, in favour of the Mexican Free Trading Agreement.

I don't like economic blocs, here, there, or anywhere. I think they are inherently pernicious. Economic blocs, as you well know, have given rise to disputes between the U.S. and Japan over the importation of heavy industry and electronics, and have also caused the agricultural warfare that exists today between Europe, the U.S. and developing countries. There is no doubt that economic blocs are not the most efficient way to establish worldwide economic order.

But the fact remains that Europe '92 has the potential of being the largest economic bloc the world has ever seen. If you add the seven-member European Free Trade Association — whose members are Sweden, Finland, Iceland, Norway, Switzerland, Austria and Liechtenstein — to the 12-nation European Community, you are talking about an economic affiliation of 19 countries and 380 million people. That's a powerful group indeed.

Given this, it is in the best interest of Canada and the U.S. to join forces with Mexico, and perhaps other Latin American countries, to create a trading bloc of our own.

My objective isn't to create two trading blocs that will compete against one another. My goal is actually quite the opposite.

A North American trading bloc — especially one that formally recognizes Mexico's growing economic power — will

be far bigger economically than a United Europe. With Mexico, and other Latin American countries, finally moving to put its financial house in order, a huge new market is available to us very close to home. It's a market well worth exploring.

But there is another major advantage of Canada, the United States and Mexico joining forces. Europe's main protectionist concern is Asia, and vice versa. A North American Trading Alliance could become so big and powerful so as to act as a catalyst or balancing wheel between the two and break all the protectionist logjams. We could do business with both, or a multilateral agreement could be the result. Seeing the combined size and economic might of a North American trading bloc, those 19 countries in Europe may see the wisdom of opening their markets to us, or risk being excluded from ours.

If we move to create a North American trading bloc, we can approach negotiations about opening up Europe '92 from a position of strength.

If we don't work to create a North American trading bloc, we risk going into the negotiations as a weak sister, instead of being the dominant player.

The idea behind those negotiations will be identical to the concept underlying my call for the elimination of the regulatory barriers that are keeping financial markets apart. The world has changed. We are more inter-dependent than ever before and the markets — both financial and economic — should reflect this new reality.

Thank you very much for your attention.

The appreciation of the meeting was expressed by Thomas Spencer, Vice President, The Toronto Dominion Bank, and a Director, The Empire Club of Canada.



November 14, 1991

Ann Shortell

Journalist and Author

THE FREE TRADE CONSPIRACY AND OTHER CANADIAN MYTHS

Introduction: John F. Bankes
President, The Empire Club of Canada

Recently, one of the hottest topics on Canadian lips has been what Peter Gzowski calls The C-word: Competitiveness. Another topic or issue about which we hear a great deal is The G- word: Globalization.

Globalization is more than a buzzword. It is the new world of business. With few exceptions, every management consultant offers advice on thinking and strategizing globally.

Professor Noel Tichy of the University of Michigan, for example, advises business leaders: "The root cause of change in the '90s will be globalization. You'll have to have global standards for quality, for pricing, for service, for design. You will have to have global leadership."

Harvard Professor, Michael Porter, in his recent report and the accompanying discussion papers on the Canadian economy released by the Federal Government, sharpened the focus on the question of Canada's ability to compete in the world. He observed: "Canada is under tremendous strain because of sweeping changes in the global competitive environment. New competitive realities call

for a new paradigm of competitiveness, one that is centrally focused on fostering more dynamism in the Canadian economy.”

The issues raised by Tichy, Porter and others are complex. And the proposed solutions, difficult to sort out. In the words of my favourite Hebrew prophet, Woody Allen: “If only God would give me some clear sign! Like a large deposit at a Swiss bank!”

As useful as Tichy, Porter and other commentators are, their views must be qualified. At best, they provide an outsider’s, rather than an insider’s, look at Canada in a global context.

Our speaker today provides an **inside** look at Canada in a global setting. In a recent piece of correspondence with The Empire Club, Ann Shortell wrote: “Canada is as much at a time of crisis from an economic standpoint as from a constitutional one. That, of course, makes this a very exciting time to be a Canadian business journalist and commentator.”

It also, I might add, makes it a very exciting time to have Ann Shortell address The Empire Club. She is a highly respected business journalist. She has been a writer at *The Financial Post*, an editor at the *Financial Times of Canada*, and business columnist for *Toronto Life*.

Ann has authored several important Canadian business books. *A Matter of Trust; Power and Privilege in Canada’s Trust Companies* was launched in 1985 and became the inaugural National Business Book Award winner.

Her second text, *Brass Ring: Power, Influence and the Brascan Empire*, was published in 1988. It explores the Toronto Bronfman Edper Empire. It won the 1989 Best Non-Fiction Paperback Author’s Award.

With a prize for every book behind her, Ann Shortell — not surprisingly — decided to write another text. The new release, entitled *Money Has No Country*, provides the basis for her remarks today.

Ann’s writing offers important insights into the challenges that Canada faces. Her topic today is The Free Trade Conspiracy and other Canadian Myths; Ann threatened to rework the title if it was not deemed sufficiently provocative!

The Italian novelist, Umberto Eco, once remarked: “The world of media is full of easy answers, wash-and-wear philosophies, instant ecstasies, what-me-worry Epiphanies. Probably readers want a little more.”

Ann Shortell provides a lot more. It is with great pleasure that I welcome to The Empire Club of Canada, Ann Shortell.

Ann Shortell:

Thank you very much John, and thanks to The Empire Club for inviting me to speak, and to all of you for attending today's luncheon meeting. I must alert you right at the start that I am not an economist, and this speech will not be full of statistics. I am a storyteller, and I am here to tell a few stories about how Canadian mythology is molding our economic future.

The title of my speech today is *The Free Trade Conspiracy and Other Canadian Myths*, but the topic is really what I like to call the state of the Canadian psyche. The prognosis is not cheerful. We Canadians have always had a bent toward self-analysis about why and how we can work as a nation. Unfortunately, for all our soul-searching we don't seem to have moved beyond the first stage of psychotherapy — the blaming stage — to any sort of real analysis of what will make Canada prosper in the future.

I've heard a lot of name calling and blame-passing in recent weeks, as I toured the country to promote my new book. It's called *Money Has No Country, Behind The Crisis In Canadian Business* — there Denise, I got the plug in.

But I've begun to think that I should have called my book *Beyond Blame. A New Age Guide to Discovering the Canadian Within*. With, of course, the standard self-help guide, 12-step recovery program. And every step on the road to recovery would include the term "attitude adjustment." Because so much of what is wrong with Canada comes down to attitude; and that seems to be getting worse, not better.

The mood of the nation is ugly; people are distrustful, cynical. Fear is overwhelming Canadians' ability to reason, to admit that others' point of view may also be valid. This is common, of course, at a time of political and economic upheaval. We all recognize that when we see it elsewhere in the world. As nations in Eastern Europe and the Soviet Union turn to nationalism and prejudice born out of fear, and try to protect their communities from outsiders rather than co-operating to deal with very serious economic problems, we

shake our heads in distress. But we are doing exactly the same thing here.

Now, I may be feeling so pessimistic today because I'm still reeling from being branded as a Patsie for the Tory-Big Business Conspiracy by irate radio talk-show callers. One caller even suggested that I'm on Brian Mulroney's personal payroll — and all because I don't believe that free trade is the root of all evil. Because I believe that the economic problems in this country can't be blamed on a few percentage points dropped from a tariff barrier.

But it is the personal nature of the attack, the gut feeling among many Canadians that anyone who disagrees with them is not merely misguided, but somehow corrupt, that is so unsettling to me. This type of battleground rhetoric is making it impossible for Canadians to plan a future together.

And the biggest divide of all is between the business community and the rest of the country. Business leaders are seen by the average Canadian as uncaring about our country and willing to do anything to make a profit — including betray the country.

Let's start with the so-called free trade conspiracy. The story runs that Brian Mulroney and his Tories, with the knowledge and encouragement of big business in Canada, sold Canada down the river to the U.S. government and business interests in the U.S. for some hidden personal gain.

The second chapter of this tale is subtitled the high dollar sellout. In order to ensure that the free trade deal would enrich U.S. business at the expense of the Canadian people, so the story goes, the Tories deliberately kept the Canadian dollar much, much too high.

It may sound like nonsense to members of this audience — or maybe it doesn't, to some of you. The fact is nonetheless that there are many, many Canadians — bright Canadians, sincere Canadians, politically active Canadians — who do believe in this conspiracy theory. They believe it because it seems to them the most plausible explanation for

the Federal Government's monetary policy since the last election.

It makes more sense to them that Mulroney would sell out Canada than that he and his advisers pursued a course that they believed would be the best in the long term although costly in the short run — or even that the government simply made a mistake.

This belief, of course, is rooted in good part in the way Canadians feel about Brian Mulroney. So I have tried to debunk this myth at times by operating on the level of personality. I say to those who bring forward this idea: OK, whatever you think of the Prime Minister, he couldn't have pulled this one off alone. He would have needed some members of his cabinet onside. He would have needed the co-operation of, say, Michael Wilson.

Now, Canadians have always thought of Michael Wilson as an honest man, it seemed to me. Certainly, they don't despise him for his personality traits. In fact, most of them haven't noticed his personality.

But as I really began to look into this conspiracy theory, I realized that the days when Wilson's honesty was assumed were long gone. And I'm not just talking about finger pointing by the political opposition. Journalists were querying both Wilson and U.S. trade czar Carla Hills about a secret deal on the dollar last June when they opened the North American free trade talks here in Toronto.

And the night after that press conference, I attended Wilson's annual constituency meeting, held in a church basement in Etobicoke Centre. As I slipped out a bit early, I ran into one of his constituents leaving another meeting down the hall for a cigarette break. "What's your meeting?" I asked. "Narcotics Anonymous," she replied. "Michael Wilson's down the hall," I offered. "No kidding!" she said with a hollow laugh. "You mean nobody's assassinated him yet?"

And people are wondering why Wilson just bought a house in midtown Toronto rather than Etobicoke! After meet-

ing that constituent, I can't blame him for hiding out across town.

His own party people know that Wilson is under suspicion, even among his own party members, because of the high dollar policies he supported as Finance Minister. At the Tory policy convention in August, one of his supporters privately urged the Minister to stand and declare that there was no backroom deal on the dollar.

Wilson staunchly refused. He thought that to stand and proclaim his innocence of any collusion with the U.S. would make it seem that he thought he needed to apologize for keeping the dollar high. And that he emphatically doesn't believe. Wilson is a high priest at the altar of monetary conservatism, proselytizing to the nation about the hard road to prosperity, in fact as much a zealot as John Crow. (As an aside, while Mazankowski doesn't have the depth of economic understanding that Wilson does, it may be good for the country that there's now a more politically tractable Finance Minister.)

In fact, I must accuse Michael Wilson of the same sin that I accuse the conspiracy theorists of: rigidity and an inability to see that there may be another side to the story. To Wilson and other Conservatives, there's no question of the government's commitment to research and development, training, investment in innovation by business. Unfortunately, the facts speak differently. After seven years in office, the Tories have a legacy of reduced Research and Development spending, and they failed to provide the promised training programs needed to help our labour force bridge the transition to free trade.

This difference between rhetoric and reality on the Tory's part is saddening. But it's no cause for alarm — nothing, in fact, other than the usual politician's ability to fool himself with his own PR.

But the inability of the government to explain the policies that it has instituted has resulted in a far more damaging situation. I don't have to detail for you the effect of plant closings,

jobs lost, communities devastated. People, faced with this type of upheaval, need answers. And they haven't been receiving any satisfactory ones.

In fact, there is good reason for the widespread public distrust of both the government and business leaders. After all, it's now clear that neither the Federal Government nor Canadian executives who pushed for the FTA could have understood just how competitive Canadian companies were when they signed the deal.

Company heads merrily piled up debts during the 1980s, without spending enough of their record profits on upgrading of plant and equipment and technological innovation in order to compete with U.S. firms. Business created a good many of its own problems through plain old bad management.

Ottawa blithely took business leaders at their promise that they were able to compete. At the same time the dollar policy was exacting too high a price from the country at an extremely painful time of transition. The fact that the government has such a difficult time explaining that decision to ordinary Canadians shows that while the idea was good, it was too religiously pursued at exactly the wrong time. It just didn't make sense.

Ottawa also didn't admit publicly that its senior trade policy advisers were shocked at the extent of plant closures — that it had expected new jobs would shift south, but not that established plants would close. It didn't know how to say: "We made a mistake in our calculations, but we still believe that we had the right idea."

The collision course between federal monetary and trade policy, and Ottawa's inability to accept blame for mistakes, have both seriously damaged the credibility of the Tory free trade policy — although it is an essentially sound policy.

But Ottawa is not the only party to blame for our present economic situation. Nor is business. No, the Canadian labour movement and many voters are also at fault here. They simply don't want to admit the seriousness of the basic structural issues facing our country.

In fact, the overall Tory economic agenda has always been upfront and easily understandable. Deregulation, privatization and tax reform have never been big secrets — they were part of the party platform before the 1984 election. The 1988 election was fought on free trade. Actually, while they may not recognize it, when people speak of a conspiracy, they are really protesting against this very upfront set of beliefs about how to run the economy. The Tory agenda is seen as too American, and too favourable to business.

In fact, some nefarious design that they haven't quite figured out, but that will end up enriching only the rich, and driving the country as a whole to ruin. So they look for scapegoats: free trade, deregulation, foreign investment.

Competitiveness is now being labelled as the new Big Business-Tory Conspiracy. It's seen both as the Tory's way of justifying their mistakes with free trade and business's way to put the thumbscrews to labour. It's also seen as a backdoor attack on Canadian nationalism and the Canadian social net.

People simply refuse to admit that our resource base isn't enriching us as it once did, that our money has long since run out. Now we are afraid to compete with a Third World country like Mexico, afraid that we will be dragged down to its living standard.

This argument is a strange amalgam of false pride and extreme negativism. It wants to keep Canada exactly as it is, but also presupposes that we have nothing to offer employers but low-wage workers. No innovative technology, no very productive processes, no skilled employees, no research-driven companies to carry our economy. It also carries within it the seeds of the problem. We don't have enough of any of those things.

And Canadians are very aware of our economic crisis. The economy is the No. 1 problem in recent polls. And we know what we don't want here — an eroded standard of living, a community with no protection for workers and no social net, another Mexico. But we haven't figured out a vision for a workable Canada from an economic perspective.

That's because we won't move beyond the fact that Canada doesn't make economic sense, to deal with how we can transform this economy and so save our country. In the lexicon of self-help literature, right now this is a dysfunctional country.

The first step to recovery is to admit that there are no simple answers. The next step is to begin to ask ourselves some very serious, very searching questions about the price we are willing to pay to be Canadian. That was the original intent of the government's prosperity paper. Unfortunately, the spin doctors took over from the policy makers in ISTC and Finance, and the result is a watered-down discussion paper designed to justify Tory policy positions rather than a no-holds-barred report. As a result, Wilson's prosperity campaign has been dismissed by the public before the debate could begin.

Some people are also calling Professor Michael Porter's \$1.2 million study of our economy a waste of money. Certainly, we already knew most everything in it — either from past Canadian studies or by reading his 1990 book on world competitiveness.

But it's not the worst \$1.2 million ever spent by government and business either. After all, bringing in an American economist focussed media and public attention on the problems at the root of our economic malaise.

The historian Barbara Tuchmann spoke of the wilful blindness of different political leaders throughout history in her book *The March of Folly*. Tuchmann argued that, at times, it seemed that leaders would plunge to their destruction, taking their nation with them, even while knowing that by approaching matters differently, they could save the situation.

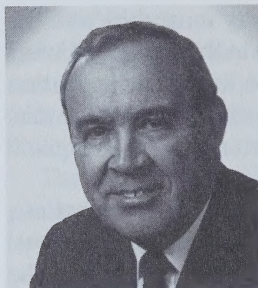
My appeal today, to this audience, is not to be wilfully blind to the basic structural problems in this country's economy. Take off your blinders and admit that business has a responsibility for the state of our economy, and must be part of the change in thinking needed as part of a major shakeup in our approach to our economic nationhood.

Everyone in the business community must deal with the basic lack of investment in innovation in this country. Unless business makes that commitment to invest in innovation here in Canada, the fabric of our country will wear even thinner in the coming years. And our standard of living will decline.

If this doesn't happen, I don't honestly believe that our country can continue to exist, no matter what constitutional arrangements we may make. Behind all the anger and the fear that is spawning conspiracy lies a simple question from all Canadians to the business community: Are you in or are you out? Please make that commitment to Canada.

Thank you.

The appreciation of the meeting was expressed by John Campion, Partner, Fasken Campbell & Godfrey, and a Director of The Empire Club of Canada.



November 21, 1991

Dr. Stanley Hatcher

President and CEO, Atomic Energy of Canada Limited

DEVELOPING NATIONS: OUR FUTURE DEPENDS ON THEM

Introduction: John F. Bankes

President, The Empire Club of Canada

It's tough letting old beliefs go. They are familiar. We are comfortable with them and have built systems and developed habits that depend on them. Like someone who has worn eyeglasses so long that he forgets he has them on, we forget that the world looks the way it does because we have become accustomed to seeing it that way through a particular set of lenses. However, as recently pointed out by consultant Kenichi Ohmae: "We need new lenses. And we need to throw the old ones away."

Art Garfunkel and Paul Simon, two bards of the 1960s, wrote a song *The Boxer* in which they claimed: "After changes upon changes, we are more or less the same." Plus ça change, plus que c'est la même chose! In the 1990s, one doesn't hear that refrain as often. In fact, we're seeing more and more evidence that, the more things change, the greater the pressure for further change.

One area where we are witnessing considerable pressure for further change is to close the gap between living conditions and equality of lifestyle in the industrialized world, on the one hand, and in the developing nations, on the other.

We live in a world of rapid communications. A world influenced by the ubiquitous television set. CNN seems to find its way into every village on every continent. People are more aware than ever of the disparate lifestyles in different regions of the globe. It might be well to recall Henry George's mid-nineteenth century warning: "What has destroyed every previous civilization has been the tendency to the unequal distribution of wealth and power."

Economists argue the need to address the economic disparity by building a sound infrastructure for developing countries. Environmentalists, however, point out the ecological destruction that flows from a strategy encouraging the Third World to industrialize. This tension between the economists and environmentalists is not easy to resolve. As is often the case in politics, the decision is between the disastrous and the unpalatable (John Kenneth Galbraith). The proper course of action is not clearly marked. Like Yogi Berra once said: "When you reach the crossroads, take it!"

According to our guest speaker, Dr. Stan Hatcher, energy — and, more importantly, our energy choices — will play a critical role in attempting to address the global economic imbalances. As CEO and President of Atomic Energy of Canada Limited, Dr. Hatcher has done extensive research on the subject of developing the Third World in an environmentally responsible fashion.

Dr. Hatcher has been with AECL since 1958. In his more than three decades with the Corporation, he has been involved in almost every aspect of its operation: chemical engineering, chemical technology, and marketing, prior to assuming the job of CEO in July of last year. Dr. Hatcher is an executive member of several international organizations involved in the issues of international energy needs.

As an engineer, an economist and an environmentalist, Dr. Hatcher wears the three necessary hats to play a leadership role in developing the Third World. His remarks today are entitled: *Developing Nations: Our Future Depends On Them*.

Ladies and gentlemen, please welcome Dr. Stan Hatcher.

Stanley Hatcher:

Mr. President, distinguished head table guests, members of the consular corps, members of The Empire Club, ladies and gentlemen. I welcome this opportunity to address such a distinguished audience.

I always relish the chance to discuss such exotic after-lunch topics as exajoules, radioisotopes, and transuranic waste. But today I've decided to go easy on you.

I want to begin with something we're all comfortable with. The electric light bulb. We've all heard the light bulb jokes. But the joke only works if you're lucky enough to have a light bulb to change. Billions of people do not.

Electricity has brought prosperity to people who are fortunate enough to live in Canada and the other developed nations. But there are still billions of people living in dark corners of our world. What they need — as a catalyst to a better way of life — is a reliable source of electricity.

Think back on our energy history. The first important discovery was fire. Burning wood for warmth and cooking, for light and protection. And charcoal for metalwork. By and large, fire was the extent of our energy history until 200 years ago. In the last 200 years we learned how to use fossil fuels, specifically coal, oil and gas. These gave us bigger — and potentially badder — things. The Industrial Revolution on the one hand, pollution on the other.

Then — about 100 years ago — along came the light bulb. The jokes came much later, once the light bulb had lost its mystery and had become mundane. Electricity not only powers the light bulb, it also powers industrial processes and cities, home appliances and hospitals, telephones and computers — in fact, virtually everything we do today. Electricity has truly been the great liberator of men and women. Yet, even now, the path of prosperity is not well illuminated for the people who live in the shadow of underdevelopment.

In many parts of the world today, wood and animal dung are still the principal source of heat and light. Life for many hasn't got much better than that in the past 200 years.

Today, I want to talk about what we should do to correct that imbalance. I want to discuss the global dilemma. Huge energy demands on the one hand, concerns about a healthy environment on the other hand.

Let's look at the size of the global challenge. The developed nations have a collective population of about 1.5 billion people. According to the United Nations, that population is projected to rise to approximately 1.9 billion by the middle of the next century, a 26-per cent increase over 60 years.

The developing nations, by contrast, have a collective population of about 4.2 billion people. By the next century, that population is projected to rise to approximately 9.5 billion, a 126-per cent increase over 60 years. Think about these numbers. By 2050, a population increase of 400 million people among the developed and affluent nations. By the same year, a population increase of 5.3 billion people among the developing and poorer nations.

These population projections are truly staggering. The have-nots will grow 13 times faster than the haves. Now think about that in terms of economic and social sharing among the world's populations. Equity is not a word that readily springs to mind, is it? Of course, the people of the developing nations are not going to sit idly by in poverty and watch one in four of the world's population enjoy the high life.

In this global village of instant visual communication, they know exactly how we live. They want that way of life for themselves. And, with or without us, they will go for it by industrializing their economies as rapidly as they can.

That means finding ample and reliable energy, particularly electricity, and that means a surge in global pollution. Right now, there are four principal sources of energy. The biggest is fossil fuels. About 75 per cent of the world's energy is supplied by burning coal, oil and natural gas. The second is, surprisingly, still wood, 15 per cent of the world's total energy supply. In North America, by contrast, fuel wood makes up less than one per cent of our energy usage.

Next comes hydro-electricity at about five per cent of the world's energy supply. Finally, there is nuclear power. Nuclear power contributes almost five per cent of the world's energy supply.

Here in Canada there are 20 operating nuclear power plants. They produce 16 per cent of our electricity. And in the United States, there are 114 operating reactors, which generate 19 per cent of that nation's electricity. In some European nations, the reliance on nuclear power for electrical energy is even higher — ranging from 45 per cent in Sweden to 75 per cent in France.

So what we have is a situation where the emerging economies rely heavily on fossil fuels, wood and most anything else that will burn. The gap between the developed nations and those that are still struggling to emerge is great. Canada, for example, has more nuclear reactors than Argentina, Mexico, Brazil, the Philippines, Thailand, Indonesia and Taiwan combined. We even have more nuclear power plants than Korea and China.

This presents a stark and telling contrast, considering our respective populations. The gulf between having and not having is wide indeed. The biggest concern in this global mix of energy sources is pollution. After all, pollutants, once up there, recognize no political or economic boundaries. Many scientists believe that unless we do something soon to offset the burning of fossil fuels, the global environmental damage will be irreversible. So we are back to our global dilemma.

The population growth, as we have seen, will be overwhelming among the developing nations. The poorer nations will quite rightly demand the opportunity to energize their economies so that they can enjoy the comforts and good health we have. That means absolute energy demand will rise much faster than the population rate as the developing nations struggle to industrialize.

So what can we do — what should we do — to bring better balance between the energy-rich and energy-deprived parts of our world without doing further unforgiving damage to our planet?

First, there is no doubt that the world will continue to rely on fossil fuels for most of its energy production. The burning of coal, as well as oil and gas, will expand relentlessly in Asia,

India, Africa, South America and other heavily populated areas of the world seeking a better way of life. Coal and other fossil fuels make sense to those emerging nations because they are readily accessible, relatively economical to produce using off-the-shelf technology, and they are abundant.

What about other energy sources to reduce reliance on the burning of fossil fuels? Perhaps the developing nations should opt for hydroelectrical power instead. They can and they will. But, as the World Energy Council notes, the amount of hydroelectric capacity that remains to be developed is about the same as we already have. So, as the world population doubles, the proportion of energy supplied by hydroelectricity will certainly not increase.

Renewable sources, such as fuel wood, solar and wind, could gain importance, but their proportional contribution will remain small. Whatever the energy supply mix, two points are clear.

First, we cannot meet the realistic energy needs of the developing nations for a sustainable standard of living without turning to alternatives such as nuclear power.

Second, if we don't choose alternatives to a massive increase in the burning of fossil fuels, future generations will choke to death.

Let's look a little closer at the environmental consequences of different energy sources. Consider two 1,000 megawatt power plants, one fuelled by coal, the other by uranium. And make no mistake about it, the world will need a lot of coal in the future. The coal plant will throw off seven million tonnes of carbon dioxide a year. The nuclear plant will produce zero. The coal plant will produce up to 120,000 tonnes of sulphur oxides a year. The nuclear plant will produce zero. What about radioactive materials? The same story.

Coal plants release unmonitored amounts of uranium, radium, and thorium — all of which are radioactive elements present in coal. Nuclear plants in Canada emit tritium, a

radioactive form of hydrogen. These radioactive emissions are a tiny percentage of natural background radioactivity.

What about wastes? The story remains consistent. The coal-burning plant typically creates 750,000 tonnes of waste a year. The nuclear power plant, 50 tonnes. The coal plant's waste is mostly ash, and contains arsenic, mercury, cadmium and lead. All that stuff is discharged into the environment. The small volume of nuclear waste is spent fuel that decays over time and loses its radioactivity. And it is stored in concrete canisters or submerged in pools of water.

In making this stark comparison, I am not condemning coal and natural gas, which also contributes substantially to the greenhouse effect. Rather I seek to provide an environmental perspective. Both will continue to fuel energy needs in a significant way.

China is an example. Currently, China is building three nuclear generating plants. Over the next 25 years, it will expand its nuclear power capability five-fold. But, even then, nuclear power will provide only 6.5 per cent of China's total electrical generation. Coal will still be the driving force behind China's electrification program. And it is projected that by 2015 China's coal burning will add two billion tonnes of carbon dioxide to the atmosphere annually. That is 50 per cent of the world's current CO₂ emission.

The seriousness of this situation from a global perspective cannot be underestimated. There is a massive gap between public expectations and industrial reality on this point. Most people in the developed world believe that the world will reduce polluting emissions in the future. But this belief flies in the face of the projections for industrial growth among the developing nations. On the one hand, the expectation of a less contaminated global environment.

On the other hand, the reality of escalating energy requirements coupled to demands among poorer nations for a better standard of living. Even in the developed nations, the consumption of fossil fuels will continue to increase. Climate change, acid rain, urban air quality, and other environmental

problems have all been linked to the consumption of coal, oil and natural gas.

Yet, these fuels are the very basis of our economy in Canada. Frankly, it is virtually impossible to cap CO₂ emissions. Realistically, when there are 11 billion people walking this earth in the middle of the next century, they will not be persuaded by our talk of environmental integrity. What they will want then is what we have now, a wonderful quality of life. None of this should cause us to be pessimistic. Indeed, the challenge gives rise to all sorts of opportunities.

Even Adam Smith's invisible hand would be fidgeting with delight at the business prospects in all of this. We have got to foster an orderly growth in electrical power, based on a mix of energy sources including nuclear power, so that the emerging nations attain economic self-respect. Can it be done? Of course it can.

Korea is an example. In less than 20 years, Korea has established nine operating nuclear units that supply more than 50 per cent of the country's electricity needs. And during those 20 years, Korea has experienced phenomenal rises in national prosperity and will continue to do so.

There are political benefits to exporting our nuclear generating expertise as a catalyst for economic growth. The rise of an affluent middle class from economic expansion brings with it a commitment to democracy and political stability. And that means a greater chance of sustainable international peace.

Consider the desperate plight of Eastern Europe. Our energy expertise is one form of assistance that can help these nations attain a new economic and political dignity. Romania is an example. We are completing a CANDU project there that will provide 30 per cent of that nation's electricity. The reliability of that capacity will do much to bolster the people's faith in the new and struggling market economy. It will contribute to improvements in the standard of living. It will create confidence in the fledgling democracy.

The benefits of exporting CANDU reactors are far greater than those provided by science and technology alone. We endow these nations with something valuable to their future success — advanced skills for their scientists, for their engineers, for their managers and for their workers.

Now let's look at the advantages for Canada. The recent CANDU sale to Korea serves as an illustration. This one sale will generate \$400 million for the Canadian economy. It will provide 7,000 jobs, mostly in the private sector, over the next four years. It will foster manufacturing in Ontario, Quebec and British Columbia. It will encourage design and engineering work among firms in Central Canada. All of that from one sale.

Right now, there are 343 large power reactors in the world. Of them, 26 are CANDUs. That's a small percentage, but the CANDU carries a big reputation. A reputation for performance that many nations are beginning to appreciate. Design, construction, operation, safety systems; we excel in all areas. The CANDU reactor has an enviable reputation. Up to the end of 1991, three of the world's top 10 reactors in terms of lifetime power performance were CANDU reactors. The No. 1 performer in the world is the CANDU reactor in Point Lepreau, New Brunswick.

The excellent performance of Korea's first CANDU was a key factor in that country's decision to order its second CANDU last December. All of this adds up to a nice equation of economic and social gains for Canadians and the developing world.

But we still have to resolve the underlying dichotomy. On the one hand, then, are the billions of people who are economically driven to maximize their resources. On the second hand, are those people who are ideologically driven to environmental minimalism. Two hands that never come together in applause, let alone in a friendly handshake.

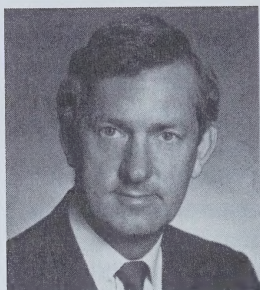
So how can we resolve the conflict and find a shared triumph? The answers are relatively easy to state, but not necessarily easy to accept. And we must recognize that the

people of the developing nations deserve their time in the sun of social progress and economic prosperity. But they can't afford to do this alone.

They need our scientific, technological and technical expertise to produce the energy they need and to make that energy generation environmentally responsive. They need our financial support in balancing economic development with environmental responsibility. They need our involvement in sorting out the global options for controlling the emissions of greenhouse gases. And they need our training so that their own people can acquire the skills to develop and operate generating facilities safely and cleanly.

But because our future also depends on an environmentally sound mix of energy choices, make no mistake, we need them to. With commitment from all quarters, together we can help to fulfil the miracle of the light bulb. Thank you.

The appreciation of the meeting was expressed by Bart Mindszenty, Public Relations Counsel, and a Director of The Empire Club of Canada.



November 28, 1991

Anthony Eames

President and CEO, Coca-Cola Ltd.

THE SERVICE IMPERATIVE

Introduction: John F. Bankes

President, The Empire Club of Canada

Our medicine cabinets are full of remedies. These remedies are designed to cure Canada's corporate competitiveness problem. To date, few of them have worked.

The prescriptions are far-ranging; they vary from the application of more elbow grease to the jettison of entire levels of government.

The consequences for corporations that fail to enhance their competitiveness are severe. In the memorable words of Dave (Tiger) Williams: "They are done like dinner!"

If Canadians were to listen to the country's corporate gurus of competitiveness, they would:

- Change their protectionist mindset
- Find a less interventionist role for government
- Develop better education and training policies
- Eliminate multinational and interprovincial trade barriers
- Link compensation to performance
- And, above all, encourage governments — at all levels — to draw their central purpose from the goal of competitiveness.

In their zeal to rebuild corporate Canada to meet the global challenge, however, competitiveness crusaders should remember that no one really knows whether if what they propose will be effective. There are no guarantees!

As the discussion moves ahead, advocates and skeptics in the growing debate over corporate competitiveness agree that no corporation is immune from the need to sharpen constantly its competitive edge.

There may have been a time when a company could establish such a positive image in people's minds that it could afford a margin of comfort. That is no longer the case — if ever it was. It is similar to what Dustin Hoffman once said about show business: "A good review from the critics is just another stay of execution."

In the business world, the critics are known as consumers. Consistently, consumers report that the most important factor in ensuring a good review is a commitment to service quality.

Customer service has become the mantra of the 1990s. In the words of George Eberhard: "The vital force in business life is the honest desire to serve. Business, it is said, is the science of service. He profits most who serves best."

The more competitive an industry, the more important is the ability to satisfy consumers' expectations. Few industries are more competitive than the soft drink sector. Talk about competitiveness; the soft drink wars are "the real thing!"

In 1957, Paula Strasberg, while trying to help Marilyn Monroe relax, was quoted as saying: "Think of soothing things. Think of Coca-Cola and Frank Sinatra." The story may be apocryphal but there is nothing that is relaxing or soothing about the current Cola wars. Executives of Coke are allegedly coached not to use the phrase "uh-uh" in conversations these days, thereby avoiding references to the memorable Ray Charles commercial spots developed by the competition.

Coke, of course, has had its share of memorable commercials. Perhaps none has been more successful than the 1971 *Hill Top* advertisement simultaneously broadcast around the world, achieving what young people aspired to — a world without frontiers. Young people, representing some 30 countries, sang the appealing jingle: "I'd like to buy the world a home, and furnish it with love, grow apple trees and honey bees and snow white turtle doves."

Our guest speaker today, Anthony Eames, is President and CEO of Coca-Cola Ltd. The competition between Coke and Brand "X" — its chief competitor — is one of the classic competitive battles. It is the corporate equivalent of Vimy Ridge; only in this fight, they don't take any prisoners.

Mr. Eames, an Englishman by birth and schooled in Australia, has been CEO of Coca-Cola since 1987. Previously, he had been with

the company for over 20 years in six countries, including Coca-Cola's world headquarters in Atlanta.

Mr. Eames' principal business experience has been in the field of marketing. One of my favourite marketing stories involves a traveller who went into a country store and found the shelves lined with bags of salt.

"That's a lot of salt," said the traveller to the storekeeper.

"You think that's a lot of salt," said the storekeeper, and led his visitor to the cellar, which was stacked high with more bags of salt.

"You must sell a lot of salt," said the traveller.

"Nah," said the storekeeper. "I can't sell no salt at all. But the feller who sells me salt — boy can he sell salt!"

Mr. Eames's bio' mentions that he is intensely competitive in both his professional and private life. His weekdays are spent battling the Cola wars, while leisure time competitions are fought on the tennis court.

Ladies and gentlemen, please welcome Mr. Eames who will address us on the subject of The Service Imperative.

Anthony Eames:

Thank you for that kind introduction.

I want to begin by saying that I'm delighted to have the opportunity of addressing The Empire Club of Toronto. Coming, as you just heard, from a far-flung part of the old empire, Australia, I feel quite comfortable speaking to my fellow colonials!

And we should always remember, by the way, that without Australia and Canada, the sun literally would have set on the British Empire, at least for a few hours each day!

Having said all of that, I'm not really here today as an Australian, and obviously not as a Canadian, but more in my role as a global businessman, employed by a global enterprise.

What I propose to do in the next 20 minutes or so is to use that perspective to provide an analysis of the competitive challenges facing Canadian business and then discuss some of the actions one international company, Coca-Cola in Canada, is taking to meet them.

A number of those actions, by the way, are not exactly ground-breaking. They involve things like restructuring, reor-

ganizing, re-engineering new market systems and product quality improvement programs. In other words, the stuff you've endured before in The Empire Club speeches on the subject of competitiveness.

My intent, as the title of my speech, The Service Imperative, implies, is to establish that in the coming decade, while activities like restructuring and attention to quality are clearly necessary to the task of creating a truly competitive global enterprise, they're not sufficient. That's my new news.

But before I get to that punch line, I think it's probably useful to step back and give you a sense of where I think we are today and how we got there. Let me begin by spending just a minute or two discussing what it is that's driving North Americans in business, education, and government to re-examine the ways in which we are organized and operate.

Put simply, we are living in an age of much more intense global competition and, for the first time in our lives, we on this continent are really having to compete for economic survival.

The explanation I like best about what's happening is one that Lester Thurow, the Dean of the Sloane School of Business at MIT, gives. Thurow traces today's extremely competitive environment back to many of the fundamental changes that were put into place at the Bretton Woods Conference in 1944 when the major powers set out to rebalance the inevitable post-war economic dominance of North America.

At the time, North America had an unparalleled competitive advantage, in literally every respect. In terms of market size, it was eight times larger than any other trading zone in the world and that gave it unbeatable economies of scale.

Of course, today that has all changed. There are now three roughly equal trading areas — North America, Asia Pacific and Europe. And after 1992, and with the inclusion of EFTA, Europe will be the largest, with 320 million people.

In fact, with the political changes going on in Eastern Europe, the Common Market has the potential of growing to two or three times the size of the North American market.

In terms of wealth, the U.S. and Canada at the end of the War, ranked No. 1 and No. 2 in per-capita incomes. Today, the world ranks the U.S. fifth, right behind Norway, and Canada 10th, behind Denmark.

On the product front, at the end of the War, no one could even come close to North America, whether it was in automobiles, electronics, pharmaceuticals, atomic energy, aerospace or soft drinks.

Well today, I'd call it a draw.

The Japanese and Europeans now arguably dominate in automobiles and consumer electronics. They are catching up in computers and about the only areas where North America still has a clear lead are in areas like aerospace, biotechnology and, yes, soft drinks.

In management, North America also clearly, for decades, had the advantage. After all, the modern corporate structure emerged from the boardrooms of companies like Dupont and General Motors, while the rest of the world followed a less productive military model.

Today, while most of the innovations in management have continued to come from North America, including quality, as exemplified by Dr. Demming, the Japanese have been the first to exploit these innovations and achieve structural breakthroughs.

And, finally, and perhaps most importantly, in terms of work force, North America after 1945 had the best mass education system in the world and from it came the best and most productive employees.

Today, Canada and the U.S., along with Sweden, spend the most money on education, but despite all the dollars, recent international test results consistently show Canadian students at the median and U.S. students in the bottom half, particularly in science and mathematics.

And in terms of productivity, while North America still leads its major competitors it's by a rapidly narrowing margin.

Thurow's point in all of this, of course, is that Bretton Woods worked. Europe and the Pacific Rim Nations are now full, active and aggressive participants in the world economy.

So North American businesses now find themselves in a new competitive ball game — playing against a number of strong competitors. I'm talking about new competitive countries like Korea, Spain, Thailand and Brazil and, of course, not so new competitors such as Japan and Germany, that are home base to companies that are very efficiently organized and often capable of bringing very high quality products to market, much more quickly than we do.

And, in terms of education, most of these competitor nations are making a conscious effort to promote not only a strong science and math culture, but also stress an attention to quality and service that helps create a work force that can quickly adapt to newly emerging opportunities.

So I think it's pretty obvious that if we're going to be successful in this new ball game, we're going to have to make some major changes.

Which brings me to Thurow's second point — that change is hardest for those who have been the most successful in the past.

And I think that's right.

Certainly in business, companies that are doing very well often stick with what has worked for them, while those facing financial difficulties are more open to innovation.

As former Ford Motor Company Chairman Donald Petersen put it, reflecting on his company's dark days in the early '80s, "A \$3-billion loss focuses the mind wonderfully on the need to try a new strategy."

At Coca-Cola, we've certainly been blessed with success. That success has been built upon more than 105 years of experience, but it has been particularly evident since the

Second World War, when we really began our explosive growth overseas.

Today, our soft drinks are enjoyed more than 630 million times each and every day, in amounts that would keep Niagara Falls flowing for almost three hours.

How have we accomplished this?

First of all, we have products that people truly enjoy. Second, we have a brand, the name Coca-Cola, that is consistently rated the most powerful in the world. People trust our name and believe it stands for something. Third, we have a vision of the future that is positive and global in scope. And we developed this vision early, which means we started to get ready for the 1990s in the 1980s.

An important part of that effort was a drive to improve our efficiency. And that meant we took great care to focus on the fundamentals of our business, including structure. Indeed, probably the most strategic structural move we have made here in Canada, involved our bottlers. In 1987, we redesigned our entire Canadian bottling system.

The result?

Today, 95 per cent of our volume is now produced by one bottler, Coca-Cola beverages, which was previously called TCC. This restructuring, which has cost the Coca-Cola system in Canada close to \$500 million, has produced significant economies of scale and has allowed our bottling operations to concentrate on what they know best — production, sales, distribution, operating efficiencies.

That also allows Coca-Cola Ltd., the Canadian parent company, to concentrate on what they do best — and that's marketing, producing, advertising and promotions that are second to none. Both organizations, Coca-Cola Beverages and Coca-Cola Ltd, can now optimize their efforts in serving our customers.

And that's what competing in the 1990s is all about — value and service to the customer.

Which brings me to what I call "The Service Imperative."

My contention is that no matter what business you're in, from manufacturing auto parts, to selling insurance or moving the mail, the real source of competitive advantage in the remainder of the 1990s and beyond will be superior service.

That, incidentally, was the message of a very good series of articles on customer service that ran last year in *The Financial Post*. In it, author Jim Clemmen looked at a Canadian grocer magazine survey to find out why people stopped buying products.

The results? One per cent stopped buying because they had died. Not much you can do about that unless you believe in customer reincarnation. Five per cent stopped buying because their friends had influenced them to do so. Five per cent stopped buying because of competitive reasons, usually of price. Fourteen per cent were dissatisfied with the product.

But 60 per cent — 60 per cent — stopped or switched because of poor customer service. They simply felt they weren't being treated right and they went elsewhere.

More recently, very recently, in fact this month, a Price Waterhouse survey of 1,500 Canadian and American executives confirmed this trend. In fact, it found that nearly 90 per cent of consumers are willing to pay more for products and services to businesses that provide excellent service rather than opt for lower prices and less service.

Most disturbing, from a competitiveness standpoint, was the finding that almost 30 per cent of the respondents believed that service quality has declined in North America during the last six months and 53 per cent believe there has been no change, even though they've made it clear they're willing to pay more for better service.

Now personally, I think Canada will eventually do well regarding most aspects of the competitive equation. There's no doubt in my mind, for instance, that the need to restructure, to get costs down, and to reach out for global markets, has hit home.

But when it comes to customer service, I think we all have a long, long way to go. And, to be honest, I think part of the

blame has to be placed at the feet of the average Canadian. Put bluntly, Canadians, by and large, are often too tolerant of poor service.

The positive is to portray this as civility. It is, for example, part of the culture for us to say "pardon me," even when it's someone else pushing to the front of the line. But, in truth, this polite attitude toward bad service may, in fact, be undermining our competitive position and this tolerance may be sending the wrong signal worldwide.

Think, for a moment, about the public face we presented to the world over the past three months. Think about how global businessmen must have responded to our postal disruptions and the posturing that surrounded those negotiations. Don't mistake my message here by the way. I'm talking about management and labour.

Because, from the postal user's perspective, neither side seemed to be focused on customer service. In fact, after listening to the rhetoric, you'd have to conclude that, for both sides, customer service was an inconvenient stumbling block to reaching an agreement.

The public employees work actions in September also sent a bleak message to the global business community. And it surely didn't help that during the same period by working "to rule," our public servants kept the few brave souls who still wanted to take a stab at doing business here waiting for hours in customs lines or circling in planes over Lake Ontario.

Now, in the scheme of things, these may seem like small items.

But they're not.

In business, all things being equal, impediments to competitiveness, like poor customer service, will ensure a quick exit from the playing field. That, incidentally, was our conclusion at Coca-Cola when we recently restructured our Canadian business. That's why we quickly put superior customer service at the top of our strategic objectives.

Our mission for the 1990s is to invest in, and constantly improve, the production and distribution capabilities of our system so as to meet the demands of our customers in the best possible way.

The operative phrase here is “to meet the demands of our customers in the best possible way.” If we don’t put our customers first, they will simply go elsewhere for their soft drink product needs.

That’s why we constantly put ourselves in our customers’ shoes. We always ask ourselves the tough questions we know they need answered, questions like:

“Why should I do business with Coca-Cola?”

And: “How important is Coca-Cola to your success as a retailer?”

Our goal is to have every customer, every customer, answer those questions without hesitation. First, we want them to say: “My customers prefer Coca-Cola products. They won’t settle for second best. Coca-Cola products and promotions actually help bring people into my place of business.”

And, just as importantly, we want them to say, “Selling Coca-Cola products contributes to my bottom line.” Finally, we want them to say: “The people who sell Coca-Cola products know my business, almost as well as I know it.”

In the final analysis, that’s the essence of Coca-Cola. We sell soft drinks, but our real business is working with our customers, helping them achieve their missions. We believe we can best do this by keeping our eye on our core business, beverages, and by listening to our key customers — those out on the front lines — where our products meet the consumer.

That’s why we’ve deliberately decided not to get involved in owning food-service operations ourselves, but instead stuck to our soft drink knitting. We’re happy to let PepsiCo compete with their customers!

That’s also why we have developed a strong team approach. We want to know our customer’s business as well as we can and give them not only what they expect from us

but also things that they don't expect, and ultimately, things they wouldn't have even thought possible.

That's the goal of our account teams. They exist to live, breathe and support the needs of our customers.

They, and all of us at Coca-Cola in Canada, have an absolute passion to be our customer's best supplier, the people they measure all others by.

Let me give you one example — McDonald's. There are some people, there have even been some people at Coca-Cola, who have viewed McDonald's as a "difficult" customer.

Well, to my way of thinking, we need more McDonald's, because whenever they are "difficult" it's ultimately on behalf of the consumer and it's the consumer that has the final vote in today's global marketplace. Sure, McDonald's is tough and you know what? We put our best people on the McDonald's account and we work hard to meet their expectations.

I hope you caught that operative phrase by the way — best people.

And that's my final message.

In a world where everybody is restructuring for efficiency and the quality is built into everyone's product, people will make the difference. At Coca-Cola, we are absolutely dedicated to giving our people all the authority and the resources needed to become indispensable heroes in the eyes of their customers.

That's because we recognize that quality is more than a perfect product, even one as powerful as Coca-Cola. It's also the transaction, the human interaction between our representatives and our customers.

If we get that right, if our customers believe correctly that we're providing them with a partner who wants to help them succeed and cares about their success rather than just a person who wants to fill shelf space, then we will have earned the right to continue as market leader in Canada.

And I think that is the essence of my message today. Use superior customer service to earn market leadership, not

only here in Canada but worldwide. And be more demanding yourselves, regarding service quality.

I know it goes a bit against the Canadian grain to be overly demanding, but we should do it for ourselves and for our children who, in a very real sense, will live in a world tomorrow determined by what we're willing to accept today.

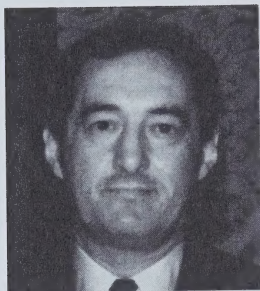
Over the past 20 minutes or so, I've given you my unvarnished view of how Canada might better compete globally.

Let me conclude with a caveat. We at Coca-Cola in Canada have only progressed a short distance down the road. We have a long way to go and I'd be the first to admit that we're living in the proverbial glass house and need to do far more ourselves.

However, despite all of the difficulties, we have to believe these are exciting times for Canadian companies. I hope you share my optimism and my confidence that the people of Canada and Canadian business can compete successfully in the international marketplace.

Thank you very much.

The appreciation of the meeting was expressed by Tony van Straubenzee, President, van Straubenzee Consulting, and a Past President of The Empire Club of Canada.



December 2, 1991

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

John W. Crow

Governor of the Bank of Canada

A FOUNDATION FOR GROWTH

Introduction: Roland Lutes

President, The Canadian Club of Toronto

Our speaker will address us today on monetary issues.

One of Canada's most urgent challenges, right now, is finding the right role for economics in fashioning our political future as a nation. Just about everyone knows how money problems can strain relations within a family. How could we expect that money problems would not put a strain on political relations within a family of provinces? A few weeks ago, a speaker at The Canadian Club of Toronto told us that you cannot have economic prosperity without political stability. But in a democracy, can you have political stability without economic prosperity? What comes first?

Enter the Bank of Canada. The Bank's statutory mandate is:

- *to regulate credit and currency in the best interest of the economic life of the nation,*
- *to control and protect the external value of the national monetary unit,*
- *to mitigate by its influence fluctuations in the general level of production, trade, prices, and employment, so far as may be possible within the scope of monetary action,*
- *and generally to promote the economic and financial welfare of Canada.*

But can monetary policy realistically affect all of these social and economic issues? I'm sure many on Bay Street would have an opinion. In its proposals for a New Economic Union, the Federal Government says, and I quote: "Preserving the purchasing power of Canadians over time should be the clear objective of monetary policy."

Our speaker today will know best of all how I am oversimplifying these issues, because he views monetary policy right from the drawing board. His unique position makes him a virtual public figure, subject to extraordinary scrutiny and pressures. Born in London, England, he spent two years as a commissioned officer in the Royal Air Force. Afterward, he attended Oxford where he graduated in philosophy, politics and economics — everything you need to survive in Ottawa.

Following his education, our speaker worked his way up in the International Monetary Fund and then did the same in the Bank of Canada. He has now served as its Governor for almost five years. Ladies and gentlemen, I give you the Governor of the Bank of Canada, Mr. John Crow.

John Crow:

I regard occasions such as this, speaking to a broad, civic-minded audience, as excellent opportunities for commenting on current issues in monetary policy. In that vein, today I will first survey where we are in regard to monetary policy developments and their contribution to the Canadian economy. In the latter part of my remarks I will focus on one aspect that has drawn exceptional attention in recent months — the external value of the Canadian dollar.

In this Information Age we are bombarded with news and views of all kinds. I am sure you find that you have lots to digest in the area that particularly concerns the Bank of Canada — monetary policy, monetary developments, and the economy. My purpose today, as always, is to bring you the Bank of Canada's perspective.

The main point I wish to convey from this monetary policy perspective is that Canada is now much better placed to enjoy good economic performance than it has been for some time.

To ward off misinterpretation, I had better note that this is not a blanket statement. It is not meant to deny the evident uncertainties that exist, both within our borders and beyond. Developments outside Canadian monetary policy will of course affect how well Canada does. What I am saying is that monetary policy has made major progress over the past several years in assuring a solid, credible, monetary basis for good economic performance. I am also saying that this is important.

In what way is it important?

Well, the fundamental contribution that monetary policy can make to Canada's chances of economic success is to provide a trustworthy money. This is, I believe, becoming increasingly accepted. Given our experience with inflation, the notion that monetary policies designed to generate or tolerate inflation will help the economy to perform better, no longer gets the following it used to. Simply put, inflationary policies have nowhere delivered the goods, or the services, or the jobs.

It is worth emphasizing that a monetary policy aimed at encouraging price stability means specifically that the Bank of Canada's unique powers to print money should be exercised with great care. This care provides the basic assurance that money will retain its value. The confidence this generates among savers and investors in turn contributes to growth. This is why the task of the Bank of Canada is to see to it that Canadian monetary expansion, and by extension the trend of spending in the economy, proceeds at a non-inflationary pace. The details of how this is done may be quite complicated, but these details should never be allowed to obscure the basic point.

And in any case the Bank of Canada can report a monetary expansion that is proceeding quite well. In particular, the monetary aggregate M2, which seems on balance the most reliable of the range of aggregates we monitor, has been growing this year by about six per cent annually. This com-

pares favourably with the double-digit pace that was typical of the three previous years.

The expansion of private sector credit is also below the inflationary rate of the late 1980s. Total private sector credit, from bank and non-bank sources combined, has this year been growing at a four-per-cent annual rate, with a particular boost from the household mortgage sector in response to lower interest rates. Housing starts, which at the beginning of the year were down to an annual pace of less than 100,000, have recently been running far higher.

It is important, especially in this shorter-run context, to draw a distinction between the objectives of monetary policy on the one hand, and monetary conditions on the other. Thus, while monetary policy objectives have stayed constant, monetary conditions have eased a great deal since the spring of 1990. This is true whether one gauges monetary conditions by interest rates alone or by the combined effect of interest rates and the exchange rate.

Looking directly at the indicators of economic activity, it appears that, for the economy as a whole, the recessionary forces began to give way in the spring. Indeed, in the second quarter of this year total output rebounded by close to six per cent at an annual rate. And while more recent statistics indicate some hesitation, the underlying momentum of economic activity is positive. One element holding back Canadian expansion has been the fact that the upturn in the United States, our main export market, has been comparatively slow to appear. The slow U.S. recovery, along with less buoyant economic activity in major overseas countries, has also been a factor in the recent weakness in the prices of quite a few of Canada's industrial commodity exports.

Therefore, and not surprisingly, the patterns of demand so far indicate that the major impetus to Canadian expansion has come from the response of the interest-sensitive sectors, such as housing and car sales, to the decline in Canadian interest rates over the past 1.5 years. At the short end of the maturity spectrum, market rates have dropped by more than

six percentage points, while at the long end the fall has been well over two percentage points. Now, only the United States and Japan among the other G-7 countries have lower short-term interest rates than here.

In referring explicitly to the behaviour of interest rates, I realize that I am in danger of giving encouragement to the regrettably widespread idea that monetary policy is defined by what happens to interest rates at each point in time. According to this view, it might be said (although I would not say it) that since monetary policy “pushed interest rates up” in the first place, all it is doing now is pushing them down. Quite a few would add that interest rates should in any case not have been “pushed up” in the first place.

This view of monetary policy as one whose purpose is to push interest rates around may appear superficially to be right. But it is fundamentally wrong. Monetary policy can affect market interest rates in various ways, but monetary policy — as I indicated earlier — is basically about the pace of monetary expansion and the integrity of money. And furthermore, even in terms of interest rates, the implication that rates are somehow arbitrarily set by what the Bank of Canada does is a far cry from reality.

This view, incredibly, takes no account of the expectations of savers and borrowers. Of course savers and borrowers react in financial markets to what they think is happening to the value of money, and of course this reaction makes a difference to what happens to interest rates. This view also ignores the important influence on rates from other policy developments. Notable among these other developments are budgetary policies (how much governments borrow) — both abroad and at home, both federal and provincial.

I will not on this occasion discuss at any length the relationship between what the Bank of Canada does, monetary policy, and the way interest rates have been developing. Much of this territory was reviewed in the Bank’s latest annual report, released last spring. However, I will note here

that there is a more accurate view than the notion of the Bank pushing interest rates up and down like a “yo-yo.”

The more accurate view is that interest rates rose from 1987 to 1990 as inflation pressures accumulated, and that a consistently anti-inflationary monetary policy had helped to promote a climate of expectations among savers and investors under which interest rates have been able to come down, and come down a long way. Furthermore, patiently continuing such a policy will provide the essential monetary foundation for low interest rates on a sustained basis. It will do this by encouraging further the increasingly well-based view that inflation will not be a threat to the future. This has been, is, and will be, good for the economy.

Finally, in this look at the current situation, I want to underline explicitly that inflation is in the process of coming down. Looking through the extraordinary jump in indirect taxes in the first half of this year, which by itself added virtually 2.5 per cent to retail prices, it is apparent that the rise in consumer prices has slowed a great deal. The slowing is probably more than most people had anticipated at the beginning of the year and perhaps more than many have yet fully taken on board. The targets for reducing inflation, beginning with the initial objective of three per cent year-over-year by the end of 1992, are at this point looking very reachable. Underlying this improvement is the distinct moderation that has started to take place in recent months in the rise in Canadian costs of production. Such a moderation in our production costs needs to continue. It is of course crucial for broad stability in the prices we pay for the goods and services we use.

You will probably have noted that in this account of developments I have not dwelt on the exchange rate. In part, this was because I plan to focus on it in the rest of my remarks. However, there is another, more general, reason — namely, that the exchange rate is a variable in the economy, not an objective. While the Bank intervenes in the exchange market, on behalf of the Government, to smooth exchange-rate move-

ments, monetary policy does not target a particular level for the Canadian dollar. Certainly, the exchange rate should not be seen as an ultimate goal of economic policy on a par with sustained, that is non-inflationary, growth in employment and output.

But let me also add that in drawing this distinction between economic variables and economic targets, I am by no means aiming to suggest that the exchange rate is not important. It is an important price in the economic system, especially for an economy that is as open as Canada's. Movements in the rate will have a near-term impact on such broad developments as Canadian inflation and Canadian economic activity. Obviously, the Bank of Canada has to seek to understand what is happening to the Canadian dollar. It does this because it needs to cope with all major demand forces affecting the economy. And even if we do not, despite what many people seem to think, have a policy that is aimed at pushing the exchange rate around, we certainly take developments in the Canadian dollar's exchange value, and the effects of these developments, into account when we chart monetary actions.

Let me now turn more to the specifics.

I will note initially that it does matter how the exchange rate is measured. The best way to measure the exchange value of the Canadian dollar is against the currencies of all our major trading partners, weighted by our trade with them. On this global basis, the appreciation of the Canadian dollar has been substantially less than against the U.S. dollar taken by itself. For example, on this weighted average, or "effective" basis, the Canadian dollar in 1991 has been about five per cent above its average for the 1980s compared with the considerably larger increase for the Canadian dollar against the U.S. dollar, taken alone, of 10 per cent. Still, the spotlight has been on the partial, U.S. dollar relationship — no doubt because it has moved more.

And as the Canadian dollar appreciated recently, calls multiplied for some form of specific action to push it down.

The way this relates to monetary policy is, essentially, to call for an easier monetary policy. That is to say, the Bank of Canada is, effectively, called upon to print more money. It is called upon to increase the supply of Canadian dollars relative to that of other currencies to the extent it takes to drive down the market value of our currency in relation to other currencies. (Not, I might add, that it can be argued convincingly that Canadian “money” is growing very slowly in and of itself, or by comparison with the general record for other major industrial countries.)

Admittedly, the argument is put not much in terms of faster monetary expansion, but rather, in this exchange-rate context, in terms of the need to reduce the interest differential over, say, U.S. rates.

I have already cautioned against the tendency to define monetary policy in terms of interest rates. Here I am going to add that looking at monetary policy as a matter of securing a specific level of interest-rate spreads is also, of course, misleading. And it is especially misleading in this particular context because, in the scenario to which I have just referred, there is in fact no assurance that interest rates, or interest-rate spreads, would in fact come down. Indeed, if a decline in the external value of the currency was seen as being provoked by an inflationary monetary policy, the path of interest rates is in fact most likely to be in an upward direction. That is what inflation, and expectations of inflation, inevitably do to interest rates.

Let me underline that the exchange rate is the net result of many different forces. It is clear that interest-rate differentials can't be the whole story, because over the past 1.5 years the Canadian dollar has risen against the U.S. dollar even though the spread of Canadian over U.S. interest rates has shrunk a great deal — across the entire maturity spectrum of interest rates. Another part of the story, as always, is confidence. Obviously, confidence in economic policies matters a great deal in determining how a currency will be valued in the mar-

ketplace. And for the Canadian currency, the confidence that is central is the confidence of Canadians themselves.

What I am seeking to convey is that while monetary policy should concern itself with the exchange rate in assessing what is happening to economic activity and inflation in Canada, and in deciding what to do, the real issue for monetary policy cannot be narrowed down to the exchange value of the Canadian dollar. The real issue is deeper and broader than this. It is whether monetary policy, by seeking to provide a trustworthy money, is on the right track to contribute to a sustained, that is non-inflationary, economic expansion. The Bank of Canada's considered judgment, for the kinds of reasons I have reviewed with you today, is that it is.

To conclude, monetary policy's contribution to good economic performance is becoming more apparent with the increased confidence that inflation will decline along the lines spelled out in the inflation-reduction targets. This will improve people's trust in money, thus making possible low interest rates on a sustainable basis. No doubt uncertainties and difficulties lie ahead, but this is a good track to be on and a good investment that is already beginning to pay off.

The appreciation of the meeting was expressed by John Bankes, President of The Empire Club of Canada.

My name is John Bankes and, as President of The Empire Club, I would like to thank, on your behalf, John Crow for addressing this joint meeting of The Canadian and Empire Clubs.

I noticed an interesting piece of graffiti on the way into the hotel today. It read: "Due to current financial restraints, the light at the end of the tunnel will remain off until further notice."

Milton Friedman, the American free-market economic guru, once pointed out that there are no business cycles — "only ups and downs." True perhaps. But the problem with our current recession is the apparent difficulty in finding the "ups" and trying to divine what forces will bounce us back into good times. As one economist recently commented: "Like a stick of butter left out of the refrigerator, the economy seems softer by the minute!"

Sometimes the North American economy in recession, like a kayak that has capsized, rights itself. So far, this recession has not been one of those times. As mentioned by Mr. Crow in his remarks,

the motors that normally revive an economy are running, but they are running slowly. Not that we have **not** had a recovery, but, some would argue, you need an electron microscope to analyze it!

Naturally, there is much debate about what to do next. What is the appropriate role for the Bank of Canada in jump-starting the economy? In response, one former chairman of the U.S. Federal Reserve describes the appropriate role of a central banker as taking away the punch bowl just as the party gets going!

Against this backdrop, John Crow and the Bank of Canada have successfully pushed for price stability, lower interest rates and, ultimately, increased confidence in the value, or integrity, of money. Arguably, once Canadians have finished retrenching, lower interest rates will revive the economy. Supporters of John Crow's zero-inflation target see as inevitable a return to the strong growth and subdued business cycles of the 1960s.

Many observers, domestically and abroad, have applauded the Bank's objective to achieve price stability. They continue to view the Bank of Canada as the tough-minded "Bundesbank of the North" and John Crow as the "son of Volcker."

Yet the achievements of the Bank come with a steep cost. The strong Canadian dollar exacerbates the exodus of shoppers to the U.S. It removes the cushion for absorbing the transition costs of free trade. And, it reduces the profits of exporters to the point where, if they can stay in business, they have precious little money for investment.

There is an old nautical saying: "Anyone can hold the helm when the sea is calm." As the Canadian economic ship of state limps along in the general direction of Port Recovery, we compliment you Sir on your helmsmanship. We wish you continued good fortune in your efforts to achieve price stability in Canada. To quote a traditional Navy prayer: "May you always have fair winds and following seas."

Thank you for your message today. Best wishes to you and your family for a happy holiday season.



December 5, 1991

The Hon. Solange Chaput-Rolland

Senator and Author

EXTINCT OR DISTINCT SOCIETY?

Introduction: John F. Bankes

President, The Empire Club of Canada

Humanity owes much to Woodrow Wilson. He's remembered in particular for his vision of a world ruled by popular consent. According to Wilson, aggression is to be prevented or punished by the collective action of the international community.

The Wilsonian vision has a codicil: the doctrine of self-determination. "Every people," Wilson said, "has a right to choose the sovereignty under which they shall live." This principle seems unexceptionable and, in fact, quite logical. Self-determination appears the inevitable deduction from the whole idea of democracy and self-government.

A recent headline in *The New York Times* read: Spain's Nationalists Press for Independence. This political development provokes some interesting questions. If Armenia is independent, then why not Catalonia? If the Lithuanians enjoy self-determination, why can't the Basques? And why not Slovakia? Corsica? Brittany? Wallonia? Jersey? Scotland?

Canadians need little reminding that the passions of self-determination are hardly confined to Europe. Many Canadians have deep loyalties to their own communities — to a language, to a region, to an aboriginal group, to a distinct culture, to Quebec as a Distinct Society, or to ethnic roots.

Today's luncheon meeting focuses on the recognition of the distinctiveness of Quebec Society.

The recognition of Quebec's distinctiveness is not new. It was first acknowledged in the Quebec Act of 1774. It was retained in the Constitution Act of 1791 two centuries ago. And it was recognized again by the provisions of the British North America Act in 1867.

Despite the historical basis for recognizing Quebec's Distinct Society, there is still considerable debate and controversy surrounding the appropriateness of giving Quebec the added security and assurance that its language and culture will be protected.

Our speaker today, Senator Solange Chaput-Rolland, has played an important and high-profile role in the dialogue on this issue. A former member of the Quebec National Assembly, Senator Chaput-Rolland was a commissioner on the Task Force on National Unity. She was also one of the leading figures in the No Campaign during the Quebec Referendum.

As a political writer, radio and television broadcaster, and playwright, Senator Chaput-Rolland is a leading voice in Quebec culture. She is an Officer of the Order of Canada and was decorated with the Ordre national du Quebec by Rene Levesque. She was appointed to the Canadian Senate in September, 1988.

The Senator has a very lengthy and detailed *curriculum vitae*. Although, as Dizzy Dean once said: "It ain't bragging if ya done it." In sifting through almost four pages of accomplishments, publications, awards and honours set out in the Senator's resume, I am reluctant to focus on one item. However, as an alumnus of Queen's University myself, I am proud to mention the Senator's honorary law degree from that institution.

I ask you to welcome Solange Chaput-Rolland.

Solange Chaput-Rolland:

Monsieur le President, ladies and gentlemen, I am deeply honoured to address The Empire Club of Canada. As many Ontarians and Canadians, I am fully aware of its prestige. I am grateful for your invitation, but I do not come here to argue, threaten or to say bluntly: "This is what Quebec wants, take it or leave it."

I shall, in homage to the great moralist of the 17th century, Michel de Montaigne, attempt to repeat one of his famous thoughts. "I do not impose, I do not propose, I expose," he wrote in one of his famous essays.

Therefore, I shall attempt to expose some facts as I lived them, in recent days, simply because I was there. I had first decided to explain how I feel, as a French Quebecer, to be part of the evolution of my Distinct Society. But last week, I perceived that already my topic was obsolete, out of touch with our present crisis. So I took upon myself, to expose selon Montaigne, how I react to the recent events.

Why? Because there are limits to lies, distortions, simplifications, by a few hysterical journalists who may not be in the majority on Parliament Hill and elsewhere in Canada, but who are in high tonality among us.

I, too, am a journalist, and proud of my career. But I was taught to inform, not to transform. And though I did not always retain my objectivity, at least I did not take my words for The Truth, and the only truth. Nowadays, I am shocked by what I hear and see on my television; the facts reported have little to do with what I have been witness to, for the simple reason that I was there when some events exploded in our midst.

Let me state my case. I am first a political commentator, then a Conservative Senator who has complete faith in Minister Clark's quest for unity. If I were a Liberal or a member of the NDP, I would feel the same loyalty for the same man. He is far from being perfect but has acquired over the years an inner maturity which permits him to retain his calm when facing daily crises in Ottawa and all over Canada. Once again, I do not ask you to accept my expression of loyalty; as Montaigne, I am trying to expose some of my own feelings to you.

We are presently at an explosive moment in history. We, Canadians, should unite our efforts to extinguish the fire of animosity instead of stoking fire with the oils of wrath. Nevertheless, it is imperative to say that no one in our country should accept the shocking concept of armed violence against any region of Canada.

Some constitutionalists and so-called experts have put forward the idea that the Canadian Government might send the

army into Quebec if, in a moment of elusive despair, we should choose sovereignty as the ultimate goal for our Distinct Society. Our compatriots have an instinctive belief in our peaceful democracy.

Why? Some of you may remember the words of The Right Honourable Lester B. Pearson when he rebutted General de Gaulle's famous "Vive le Quebec libre." "All provinces," he then said, "are free to belong to our Canadian federation."

If they are free to belong, it stands to reason that they are free to leave. Thus, in my view, the right to self-determination is granted implicitly to every province. Yet, can a country resist incitements to violence without ever wanting to quell them? Why should we almost blindly believe that we are better in Canada than in other countries? Oh yes, we talk about our alleged tolerance, but in fact are we that tolerant?

Ask French Canadians outside Quebec, immigrants, black citizens, aboriginal people, French and English Quebecers, whether they live among tolerant neighbours. If we were that tolerant of our times, would we not understand that a federalist regime must meet the problems of tomorrow and not cling to past traditions?

Traditions are essential to the vitality of a nation but should we let them impair our social, cultural and constitutional evolution? Are we satisfied in 1991 to relive the compromise of 1867, instead of shaping our destiny to meet the challenges of the next century?

Norman Webster wrote in *The Montreal Gazette* last Saturday these words which I endorse fully. "All the bickering is among the politicians. Relations among people are surprisingly harmonious." They may not be as harmonious in words, in discussions, in meetings, but yes most of our compatriots, though they are tired, and rightly so, of these endless commissions and seminars on the Constitution, are at peace with one another.

For example, my family is not the only Quebec family who has English-speaking relatives (sister-in-law, nieces, cousins). When I am living at home, I live with French friends, but also

with English-speaking Quebecers. Not by chance, by choice. We enjoy each other's company and no one minds in which language we talk to one another.

Nevertheless, confrontations and tensions exist between the two solitudes but not to the extent reported. For me, I find it very tragic to observe how French Quebecers are fighting among themselves, not quite understanding what a tragic drama they are writing for English Canada.

Yes, as Mr. Webster noted: "Politicians are fighting also among themselves." But is this a new fact within our political society, whether provincial or federal? Yet, what we perceive, and it is a sad fact of life, is that some of them, but not all of them, are forgetting to fight for a country and choosing to fight only for a party. The ambitions for power are a necessary evil; it is even a way to enhance democracy.

But the time is more than ready to put the interest of a country above the interest of a party. There is a time to remain silent when facing quarrels and feuds, yet there is a time to speak. For me, the time is now. If we continue to refuse to build a future together simply because the proposals for unity emanate from a Conservative Government, and if we refuse solutions offered by the Liberals or the NDP simply because we do not like Brian Mulroney, Jean Chretien or Audrey McLaughlin, then we do not deserve the human and natural resources of our country.

Have we lost a national will to survive, to acquire a national suspicion of all politicians? Then, why did we elect them? Some of them deserve our scorn, but not all of them. Some citizens deserve to be heard in this debate, but not all of them. Yet all of us deserve better from most of us. Are we going to fracture Canada because Mulroney wears Guccis, Chretien speaks bad English and Madame McLaughlin is quick to anger?

Is this what your ancestors from Great Britain and mine from La Nouvelle France expected from their descendants? Quarrels over commas, semicolons, hyphens, "nonobstant" and "notamment"?

As a writer, I am in love with words, be they French or English. As an older woman and une Quebecoise, I despise the use and misuse of words in our political vocabulary. Are we going to turn our back on our future because we do not understand every single line of the proposals from the Canadian Government?

Do we know of any other country which leaves its Constitution to be amended by lobby groups, by angry citizens? Since when does a government resign from its responsibilities by giving up its obligation to come to terms with the will of its population? Are we silly enough to pretend that today we still ignore what the West, the North, the East and Quebec really need and want?

Yes, we in Quebec won a referendum in May 1980 against Sovereignty Association as defined by Rene Levesque, but subsequently, through an imposed patriation, we lost the country. And we lost Meech, thereafter, in spite of the fact that these Accords, easy to understand and to accept, were the logical conclusions to the shattered hopes and promises made during those hectic weeks by a Canadian Government.

I would not want to relive a referendum because I have not yet, as many others in Quebec, forgotten these words of President Kennedy to his brother Robert: "Change your scars into stars." My scars are still visible, and they are still burning in our collective memory.

In Quebec, we are wary of another referendum, afraid to see once again, our family torn apart, our sons and daughters against their fathers and mothers, our friends against their friends. What do you know in fact and in reality about referendums if you live kilometres away from Quebec in distance and centuries behind in historical perspective? You might find out the terrible ordeal of a referendum if and when you live one.

But let me affirm clearly that last week, there was no bitter quarrel between Joe Clark and Benoit Bouchard during the Quebec Caucus of November 26th. There is a great difference between MPs stating their cases to the Minister, explaining

their riding's feelings, and wild attacks against Joe Clark. As I read the unbelievable accounts of these discussions in the press and listened to radio and television, I wondered if I had suddenly turned deaf.

Yes the meeting was tense, difficult, but Minister Bouchard is not a provocative man, nor is Minister Clark. Later, Minister Clark decided, wisely I thought, to delay the timing of the referendum law. But he did not abandon the idea of holding one at a proper date.

Why should Canadians be deprived of the right of expressing their faith or their lack of faith in their country because Quebec has given itself a law to hold one? Can we be naive enough to imagine that Quebec and the Federal Government will hold their referendums on the same day. Can we be that naive? Isn't there a gulf between what we think and what might happen in reality? Nevertheless, English Canada should be more sensitive to the very notion of a referendum and understand why Quebec is less enthusiastic about reliving a second one than the other provinces.

Now, ladies and gentlemen, I will come back to my initial topic to say this: Let us affirm and confirm the importance of a Distinct Society whose experience and solidity, wisdom and emotions go way back to the first morning of La Nouvelle France.

I believed in 1978, with a great Canadian, a prestigious figure in your own Provincial Government, that precise answers to our Canadian dilemma had been given by the Pepin-Robarts Commission, of which I was a member. Does any Ontarian or Canadian believe that a man as great as John Robarts, nationally beloved and respected, would have signed the recognition of a Distinct Society had he thought that such a recognition would dismantle Canada and weaken the central government?

Had he not believed in our recommendations, he would have said so, and loudly at that. In fact, the Distinct Society is an interpretative clause and not a new concept of federalism. Furthermore, the word Distinct has no connotation of superi-

ority in any of the numerous dictionaries I have consulted before coming here.

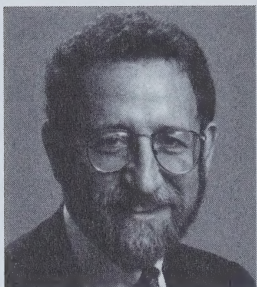
Quebec is therefore not superior, nor inferior, to individuals and collectives; it is equal but distinct from the rest of the country because of its history, its laws, its education and its collective memory of the past.

Many Quebecois do not accept this definition nor believe in the importance of the Distinct Society. For them, only sovereignty offers the answer to our problems. I would even go so far as to say that if the Federal Government would propose sovereignty to separatist members of le Parti Quebecois, they would refuse it because this offer would appear to them to be a federalist one offered by the Canadian Government.

This statement is probably the ultimate absurdity, but it is a fact of the political quarrels in my province. Please do not play into their hands by refusing all suggestions to amend, correct, rewrite the constitutional and economic proposals, if you believe that Canada should emerge from this crisis more powerful and more at peace with all its citizens, be they from Quebec or from other regions.

I will now end my conversation with you by quoting a very beautiful book on Champlain by Joe Armstrong. The author writes: "The St. Lawrence is a river of dreams." How beautiful, how very touching, how deep a thought. Will we, at long last, acquire the courage to navigate together on this beautiful river of dreams and leave behind the sea of hatred, animosity, which sets us against one another within Canada? Will we positively begin to fight for a country instead of for a party? Canada is in need of answers to its numerous problems. Who will give them? And when? Today is already tomorrow. Merci.

The appreciation of the meeting was expressed by Catherine Charlton, President, the Charlton Group and a Past President of The Empire Club.



December 12, 1991

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

Marc Eliesen

Chairman, Ontario Hydro

FUTURE DIRECTIONS FOR ONTARIO HYDRO

Introduction: John F. Bankes
President, The Empire Club of Canada

Mark Twain once said: "Few things are harder to put up with than the annoyance of a good example."

Few have demonstrated the power of a good example better than Marc Eliesen, our speaker today.

Mr. Eliesen's appointment as Chair of Ontario Hydro is the latest in a long line of impressive personal achievements. The chronology of his appointments reads like a Who's Who in Canadian Government. Mr. Eliesen has had a nation-spanning career of senior positions in the Federal Government and in Ontario, Manitoba and British Columbia. His on-the-job training included a stint as Chairman of Manitoba Hydro from 1984 to 1988, where his support of the jumbo Limestone hydroelectric project earned him the nickname "Mega-Marc — The Limestone Cowboy."

By the time he had left Manitoba Hydro, Mr. Eliesen probably assumed that he had held every possible job in the public sector. But there were a couple he had missed. In April of 1990, he was appointed Deputy Minister of Energy for Ontario.

Then, Ontario Hydro called.

Legend has it that, when Marc Eliesen was offered the Ontario Hydro job, he was told there was good news and bad news. He would be the CEO of the largest utility in North America and the fourth largest in the world. The bad news? The bad news was that there was no more good news!

Mr. Eliesen has been quick to respond to the weighty challenges facing Ontario Hydro.

In the short-term, he has openly discussed the possibility of double-digit rate increases for the next two years. These rate increases are essential to cope with the fall in revenue caused by the recession and the high costs of rehabilitating the operating performance of Ontario Hydro's nuclear system.

Longer-term, he has addressed the 25-year demand-supply plan presently under review by the Environmental Assessment Board. Under Mr. Eliesen's guidance, the Corporation is making sure that the plan reflects growing public concern — concern that Hydro must not only supply energy, it must also reduce or "manage" demand.

As part of its conservation, or energy management campaign, Ontario Hydro is committing \$6 billion over the next eight years to reduce electricity demand. The free 52-watt light bulbs recently left on your doorstep were just the beginning of that effort.

This initiative forces one to restate the age-old question: "How many Ontarians does it take to change a light bulb?"

The answer: "One committed CEO, 3.6 million receptive Ontario households, and a lot of innovative people in between."

As if the Corporation doesn't already have a full enough agenda of problems to wrestle with, Ontario Hydro's latest challenge is to deal with the infestation of the Great Lakes by the zebra mussel — dubbed the "sex maniacs of the sea" and the "cockroaches of the Great Lakes!"

Clearly, Mr. Eliesen will need all the talent and lessons from his 25-year career in government to cope with the challenges facing the utility.

Aside from his impressive credentials, there is also a very humanitarian side of Marc Eliesen.

According to an article in *The Toronto Star* describing the recent tribute to women victims of violence, Mr. Eliesen urged all men to take responsibility for such actions. "I believe," he said, "there are strong links between a society that degrades women and glorifies male aggression. Men must understand that there is a continuum that begins with male privilege and sexist attitudes and runs all the way through to the outright abuse of male power in harassment and domestic brutality."

Such courage and forthrightness are the signs of true leadership.

The Latin motto on the Coat of Arms of Ontario Hydro reads: *Dona naturae pro popular sunt*. If I recall my Latin lessons correctly, that translates: Nature's gifts are for the people.

Mr. Eliesen, we look forward to the discussion today of your plans for nature's gifts on behalf of the people of Ontario.

Ladies and gentlemen, please welcome the man who turns on the switch — Marc Eliesen.

Marc Eliesen:

Thank you for those kind words of introduction. It is indeed a pleasure for me to appear today before this distinguished group.

Back at the turn of the century — when both The Empire Club and Ontario Hydro were in their infancy — the landscape of the 20th century loomed large and uncluttered.

It was a time for visionaries, and Sir Adam Beck and his fellow supporters of the concept of public power had a clear picture of where they wanted to go. The issue was simple — public versus private ownership of the province's fledgling electricity industry. The public debate surrounding it still occasionally reverberates through the boardrooms and legislative body of the province.

With all due respect, their task now seems enviable in its focus. Once over the political hurdles, the early builders of Ontario Hydro pretty well were confined to the engineering obstacles facing them as they brought the energy-saving power and convenience of electricity to Ontario — to the workplaces, factories, farms and homes.

Now, as we stare the 21st century in the face, we have much more daunting challenges to deal with. I want to tell you about those challenges and the way in which we intend to respond to them.

The challenges are considerable: our system is aging, costs are rising, and society expects more of its electrical utilities.

People today want to be part of the energy planning process. And they want us to find alternatives to building new generating stations which may affect the environment.

Before I tell you how we propose to deal with those challenges, let me tell you what I found when I came to Hydro six months ago.

The financial situation was not reassuring. Revenues were down significantly because of the recession we were all experiencing. They were also suffering because generating performance, especially in our nuclear plants, was down considerably.

Net income had dropped from about \$700 million in 1989 to \$129 million in 1990. This year we expect net income of only about \$200 million.

This is a very slim margin when our total revenues for this year are expected to be \$7.1 billion, and \$8.3 billion in 1992. Net income of only \$200 million could be eaten up by one unexpected event.

In order to minimize rate increases over the last two years, Hydro's board scheduled a draw down of the rate stabilization reserve account by over \$500 million. Clearly, this cannot continue indefinitely. Maintaining Hydro's fiscal integrity has to be a top priority.

To totally eliminate withdrawals from the reserve account in 1992 would have required a rate increase of 15 per cent. However, we felt we had to be responsible to customers trying to recover from this major economic downturn.

Accordingly, we will draw less from reserves in 1992 and charge an average rate increase of 11.8 per cent. We know this increase is still going to have an impact on our customers and we regret it. But we have to take the necessary steps to ensure the system will be both reliable and financially sound in the future.

Hydro has had to impose even higher rate jumps before. Some of you will recall the mid-1970s. Rates jumped by 13 per cent, 22 per cent and 30 per cent in consecutive years. At that

time, Hydro had to absorb the impact of new facilities going into service, and into the rate base.

This is what is happening again in 1992, with the Darlington nuclear station. Darlington will cost us at least \$13.5 billion. As it starts producing electricity, it has to start coming into the rate base.

Darlington and other unanticipated nuclear costs account for more than half the 1992 rate increase — 6.6 per cent of the 11.8 per cent. The remainder is not much more than the anticipated rate of inflation.

When Darlington is fully commissioned in 1993, it will represent 30 per cent of Hydro's assets. But it will not cause anything like the rate increases of the mid-1970s. In fact, after 1993, we can anticipate far more modest single-digit increases.

We realize the importance of keeping our rates competitive. We are still competitive. Notwithstanding our significant exchange rate appreciation from a 77-cent to an 88-cent dollar, if Ontario industries go comparison shopping for electricity rates with our direct competitors in neighbouring U.S. states, they'll still find Ontario Hydro roughly 20 to 30 per cent more favourable.

I intend Hydro to remain competitive. I also intend that cost increases will not be routinely passed on as higher rates to customers as if there were no alternative. There are alternatives. One is cost control. Another is improved productivity. Let me deal with cost control first.

One major cost-cutting measure this year was the cancellation of our expensive uranium contracts with Rio Algom and Denison in Elliot Lake. For the last 10 years, the premium Hydro had paid for uranium from the Elliot Lake mines amounted to a billion dollars.

By ending those supply contracts in 1996, Hydro will save ratepayers \$1.5 billion on uranium for our nuclear generating stations.

After the assistance package of \$250 million to help the community adjust, Ontario ratepayers will be saving over

\$1.2 billion in the next 10 years. That's the equivalent of a 1.5- to two-per-cent reduction on annual Hydro rates.

Cutting the cost of our uranium supplies was not just a first step. The salary levels of senior management have been frozen for 1992 and we are urging restraint with our collective bargaining groups.

A number of other measures are now being considered for controlling our costs without jeopardizing the reliability of the electricity system. I'm insisting that Hydro's senior management put a renewed emphasis on accountability in our planning and estimating procedures.

Let's look now at productivity improvement. Hydro has an outstanding staff, well trained and dedicated. But we can do better than we are now.

Steps have been taken to usher in a new era in management-labour relations. The results will be a more co-operative, less confrontational relationship with Hydro's union and professional society.

More specifically, better teamwork within Hydro will mean better quality control and productivity. Reliability of our service, particularly for most of our industrial customers is just as important as cost.

Ontario Hydro has a world-wide reputation for dependence and reliability. In fact, in a recent study, the North American Electric Reliability Council, rated the reliability of Ontario Hydro's system as No. 1 in Canada and No. 11 out of 152 North American utilities.

To guarantee our customers that they can continue to depend on the reliability of our system, we've embarked on the largest rehabilitation project in Hydro's history. We're going to spend \$3.6 billion on our transmission system alone from now to 1994.

We're adding three new high-capacity lines in Eastern Ontario, reinforcing transmission facilities in our biggest load centre, Metro Toronto, and upgrading older lines between Burlington and London.

Our nuclear program is just as big. We have approved close to \$4 billion for rehabilitation and retubing. Two reactors at the Bruce A station and one at Pickering A station will be retubed, and there will be a full station rehabilitation at Bruce A.

Rehabilitation will continue at the Lakeview and Lambton coal stations, at a cost of over \$1.6 billion. We plan to renew small hydraulic stations across Ontario during the 1990s to get more electricity from them, at a cost of nearly \$500 million.

If you add all these rehabilitation expenditures together, we are investing close to \$10 billion to extend the life, and improve the efficiency, of the existing system over the next few years.

And we're continuing to work to meet the anticipated growth in demand during the 1990s. Darlington will add 3,500 megawatts to the system by 1993. Sir Adam Beck 3 at Niagara Falls will bring in another 1,000 megawatts in 1998.

Redevelopment of our dams on the Mattagami and the new projects in the North from 1997 to the year 2000 will add another 750 megawatts. And we've started the public consultation process for the transmission line to import 1,000 megawatts of purchased power from Manitoba.

But what about the new challenges and demands on Hydro I spoke about earlier? Our society, of course, expects something different from Hydro than it did 10 or even five years ago. Our whole world has changed irrevocably, and Ontario with it.

Hydro, at its best, is a mirror image of that changing society, and therefore we too are changing from a production supply company to a service company — providing energy and energy services, ensuring Ontario is supplied with electricity and giving Ontarians incentives to use it more efficiently — or in some cases, not to use it at all.

These changes are not the product of politics, or of current ideology. They are imbedded in the larger social changes we all face. They are the clear products of the need

to reduce financial risk, of limiting environmental impact, and of demand by the public to participate more fully in Hydro's decision-making.

As I indicated earlier, these pressures are not unique to Hydro, or to Ontario for that matter. We may be feeling them more acutely than other companies in other provinces, but exactly the same pressures face BC Hydro or Hydro-Quebec, and the banks, the steel companies, insurance companies and governments — all of us.

In 1989, Ontario Hydro published a 25-year plan — the Demand/Supply Plan — which is undergoing intense scrutiny at a public hearing, before the Environmental Assessment Board, where, in accordance with established provincial legislation, we've provided about \$25 million to fund intervenors.

Over the past months, Hydro has been reevaluating the load forecasts and other factors we put forward two years ago in our 25-year plan. And we hope to present the results before the Demand/Supply Hearing next month.

It is useful to note that when the Demand-Supply Plan was issued two years ago, average peak demand was at 20,700 megawatts and the median load forecast was for a 1,300 megawatt increase by 1991. Instead we are averaging 20,500 megawatts this year, actually lower than in 1989. Accordingly, our long-term forecast for the demand for electricity has been revised downwards.

What this means, from a planning point of view, is that the requirement to build major new facilities is pushed back. So we have more time than we originally thought before we have to commit ourselves to the next major supply project.

Let me emphasize. This is not a new phenomenon applicable to Ontario Hydro. We see this trend taking place in many utilities in Canada and the United States.

Change in our society is so rapid, we now see that any 25-year plan — no matter how robust — is subject to considerable change.

At the same time, the cost differences between various large-scale options — whether it is a coal- or thermal-generating plant, or a nuclear station — become less distinguishable; big, central generating stations cost billions of dollars, no matter what fuel they use.

We're learning more about the true costs of making electricity. Nuclear stations, which are responsible for generating 60 per cent of Ontario's electricity needs, cost a lot of money to build, but were supposed to have significantly lower costs. It's turning out differently.

They need retubing and other equipment sooner than expected.

The cost of keeping them maintained and staffed is much higher and new standards on health and safety called for by the federal regulator, the Atomic Energy Control Board, has meant greater expenditures than have been anticipated.

We're also learning that approvals for any new stations are harder to get and, therefore, that we should concentrate, as a principle of sustainable development, on getting the most out of what we've got. This means rehabilitating older stations so that they run beyond their projected lives.

The changeability of the future suggests to us that megaprojects are becoming less of a credible answer. They are a huge capital drain and carry a great deal of financial risk.

When the future is uncertain, it's better to count on smaller increments that track growth in electricity demand more precisely, and don't pose such a rate shock when they come into service. Their environmental impacts should be smaller — or at least more localized.

That's an important reason why, by the year 2000, we expect non-utility generators will be able to meet 14 per cent of our system load requirements.

When Hydro filed our 25-year plan in 1989, we were counting on 1,000 megawatts of non-utility generation. Since then, we've announced new targets. We now expect 3,100 megawatts of new non-utility generation to come into the sys-

tem. Response from the private sector has been overwhelming. We are making deals with as many proponents as we can fit onto the transmission system.

Projects involving cogeneration are getting preference, for environmental and economic reasons. Clearly, cogeneration efficiencies of up to 80 per cent reduce overall energy use and environmental damage.

And it's clear to us at Hydro that industries that generate revenues along with energy will be able to compete better against their global competitors. And by avoiding major new investments for Hydro, they will help make our province more competitive.

We also know, better than ever before, that no means of generating electricity is environmentally benign.

Hydroelectric dams can flood large areas of land and can impact aboriginal people and their lifestyles. Fossil-fuelled generation creates sulphur dioxide, nitric oxide, carbon dioxide and greenhouse gases that impact global warming and deplete the ozone layer.

Nuclear plants have nuclear waste and health and safety concerns.

One even more significant source of "supply," in one sense of the word, is demand management or energy conservation — and it has dramatically fewer or nil environmental effects.

Our energy efficiency or conservation programs are all targeted to be less than our avoided cost, so in the long run rates will be lower than if we had to supply those megawatts with new generating stations.

Our demand management target is to reach 5,200 megawatts by the year 2000. That's 5,200 megawatts of supply we don't have to build. To obtain that objective, we're investing \$6 billion in energy efficiency and conservation — much of it in programs to help Ontario industries cut energy costs and become more competitive.

Ontario Hydro has a wide variety of programs and incentives in place to encourage all our customers — industrial, commercial and residential — to use energy efficiently.

Darlington will cost ratepayers more than double that \$6 billion, and produce only two-thirds as much electricity. So demand management is much more than a good deal for the environment. It's also a great business deal for Hydro's customers.

Furthermore, this is not a bridge or a "quick fix" until the next supply stations can be built. In Ontario, demand management — through energy efficiency and conservation — is the primary alternative to any new supply.

The idea of paying people to use less of our product has been a little tough for some people in the electricity business. But actually paying people to switch to what they've seen as the competition really makes some traditionalists unhappy.

But it makes sense. The people of Ontario want energy resources used more efficiently. Thus we will be encouraging people to substitute other forms of energy such as natural gas for home space and water heating.

Fuel substitution is a new option for cutting electric demand made available under the proposed revisions to the Power Corporation Act.

It also makes good business sense to pursue alternate energy sources. Finding alternate, cost-effective, environmentally benign fuel sources is another important utility activity that cannot be ignored or underestimated. It's another critical component of the flexibility we are trying to achieve.

Like all major utilities in North America, Europe and Japan, we are accelerating the search for these alternate energy sources. Some of the independent producers selling electricity to us are generating it from wood waste and methane gas from garbage.

Ontario Hydro's alternate energy research includes the investigation of fusion fuel technology, the development of wind and solar energy applications in Ontario and the testing of different types of fuel cells, including phosphoric acid and molten carbonate.

We are watching with particular interest the practical test of fuel cells in buildings in Japan, Europe and the United States.

In addition to environmental benefits, buildings generating their own electricity from fuel cells could help ease Ontario Hydro's strained transmission and distribution capacity.

Some of these developments are a long way off. But these are the kinds of considerations we have to keep in mind when trying to change the nature of our business into one that truly provides what our owners and shareholders, the people of Ontario, want from us today and tomorrow.

Today we can see, if we look carefully enough, many of the changes that will determine what we will be tomorrow. More environmentally conscious. More service oriented. Getting most out of our new "supply" from more efficient use, from switching to other fuels, from non-utility generators, from smaller stations, from rehabilitated older stations.

A few years ago *The Globe and Mail* wrote about our plans for megaprojects and accused Hydro of having an "edifice complex." Maybe we did. But if we did, so did our society as a whole in the mid-'80s. Society has changed. **We need to live more lightly on the earth.**

I can tell you today that Hydro is well on its way to overcoming its edifice complex. We will still need to build, but we will build less, and lighter.

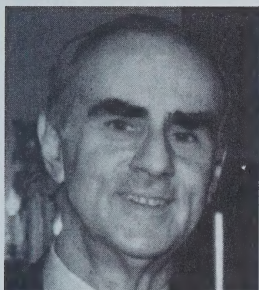
We gain through lower financial risk, better matching of supply with demand, and smaller environmental impacts.

Adam Beck wouldn't recognize the corporation he founded 85 years ago with the slogan: Power for the people. His Hydro was a pragmatic response to the economic and social realities of the 1900s.

So is Hydro today, and in the future. The manner and the method must change, but the job — and the slogan — never have.

Thank you very much.

The appreciation of the meeting was expressed by Roland Lutes, President of the Canadian Club of Toronto.



December 18, 1991

The Hon. Henry N. R. Jackman

Lieutenant Governor of Ontario

SEASONS GREETINGS FROM THE LIEUTENANT GOVERNOR AND A PERFORMANCE BY THE NIAGARA BRASS ENSEMBLE

Introduction: John F. Bankes

President, The Empire Club of Canada

“And let us not be weary in well-doing, for in due season we shall reap, if we faint not.”

St. Paul's letter to the Galatians 6:9

May it please Your Honour:

The calendar year is telescoping to an end. Soon, 1991 will have left the room; it will shortly become just another collectible!

1991 has been a year of dramatic change and challenge. Somebody, clearly, has pushed the fast-forward button on history! Who would have thought 12 months ago that the Soviet Union, as we have known it, would no longer exist? Who would have thought that Arabs and Israelis in the Middle East would sit down to discuss ways of forging a permanent peace? Who would have thought that we would have seen democracy and freedom sweep the globe so dramatically? And who would have thought that we would witness apartheid racing toward extinction?

According to U.S. President Bush: "In 1991, the impossible became history." The proclamation: Peace on earth and good will to all, rings true as seldom in history. Takes your breath away!

And yet it's hard to remember another Christmas so dominated by the spirit of Scrooge and the din of Marley's ghost clanking its chains in every corner of Canada. With the passage of time, the lot of Canadians seems to be diminishing. You can read it in the unemployment numbers, and sense it in a general reluctance of people to spend money. In many cases, the pockets of Canadians are empty; they possess more will than wallet! Uncertainty, and, increasingly, real fear, flicker in people's eyes. We are somehow afraid to partake of holiday cheer. No one knows what will happen next; and that takes your spirit away.

Yes, economic growth has been limping along for several years. But Canadians' biggest problem is that we've talked ourselves into a funk. Some commentators have used the acronym FUD — fear, uncertainty and doubt.

This pessimism, in my view, blinds us to the hope around us. The challenge is for Canadians to fan the flames of belief in ourselves as we overcome hard economic and political times at home and build a foundation for lasting prosperity.

Volunteerism can play an important strategic role in helping to solve serious societal problems and to build this foundation. Happily, the thousand-points-of-light brigade can begin to illuminate the darkness left by several years of recession and economic hardship. Each day, we can light the darkness by helping someone in need, working to see that no elderly person goes to bed hungry, that no homeless person spends another night shivering on the streets, that no child sits alone, unloved, unknown.

The volunteer organizations in society can help us overcome a narrow self-interest — that, in the end, will make us poorer not only in spirit but in wealth as well — and rid ourselves of the delusion that we float in many separate boats as opposed to this big Canadian canoe.

At The Empire Club head table today, we have leaders from the volunteer community including representatives from The Lung Association, Ontario March of Dimes, Heart and Stroke Foundation, UNICEF Ontario, The Empire Club Foundation, Canadian Council of Christians and Jews, The Salvation Army and St. John Ambulance. These are the people who provide the oxygen needed to fuel volunteer work and help spread its benefits throughout Canadian society.

In concluding, I encourage all Canadians to adopt the positive approach of these volunteer leaders. For all the visions of past and

future, surely dourness will not in the end prevail. After all, even Scrooge awoke Christmas morning a new and restored man!

Members and guests of The Empire Club, may your Christmas be bright with love. God bless you.

It is my pleasant task to call upon His Honour, the Honourable Henry N. R. Jackman, Lieutenant Governor of Ontario, to address this meeting. Before doing so, a few words of introduction.

One week ago today, His Honour was installed as Her Majesty the Queen's representative in the Province of Ontario. This very great honour is an important milestone in a career of distinguished accomplishments in the fields of business, the arts, politics, and the militia.

Rather than recite His Honour's long list of achievements, I want to draw from the extensive resume his contributions and commitments to volunteer organizations in Canada. This is in keeping with the volunteerism theme of this Empire Club Christmas luncheon meeting. At the risk of missing a few, let me begin:

President, The Canadian Opera Company (1984-86), The Ballet Opera House (1986-89)

Chairman, Atlantic Council of Canada

Chairman of the Advisory Board, The Toronto Old Aged Men's and Women's Homes

Chairman of the Board of Trustees, Canadian Red Cross Pension Fund

Founding Chairman, Regent Park Community Health Centre

Vice President and Member of the National Committee, The Canadian Institute of International Affairs

Vice President, Canadian Foundation for AIDS Research

Honourary Treasurer and Director, Stratford Shakespearean Festival Foundation of Canada

Director, Institute for Research on Public Policy, Canadian Institute for Strategic Studies, Ontario Heritage Foundation

Trustee, Toronto Western Hospital, Art Gallery of Ontario

Member of the Board of Governors, York University, Shaw Festival, St. Andrew's College, Upper Canada College

Member of the Metropolitan Toronto Advisory Board, The Salvation Army

Member of the Ontario Finance and Investment Committees, Order of St. John

Member of the Board of Stewards, Metropolitan United Church

And, of particular importance to this meeting, Past President of The Empire Club of Canada (1971-72) and a Vice Chairman of The Empire Club Foundation.

We are all delighted, Your Honour, that you would attend this Empire Club Christmas luncheon meeting so early in your term. Ladies and gentlemen, please welcome Lieutenant Colonel The Honourable Henry N. R. Jackman, Ontario's 25th Lieutenant Governor.

Henry N. R. Jackman

As representative of Her Majesty Queen Elizabeth II in the province of Ontario, it gives me great pleasure to extend warm season's greetings and best wishes for the new year to the officers and members of The Empire Club of Canada.

I would like to take this opportunity to extend to all of the members of The Empire Club and indeed the citizens of Ontario, my very sincerest best wishes for a peaceful and joyous festive season and a new year filled with prosperity, happiness and good will.

As we look ahead to the challenges of a new year, may we continue to nurture and enhance the timeless qualities of tolerance, caring and sharing throughout the coming year.

With warmest best wishes and greetings of the season.

John F. Bankes:

Members and guests of The Empire Club, it gives me great pleasure to introduce the Niagara Brass Ensemble who have generously offered to entertain us at this luncheon meeting.

The members of the Niagara Brass Ensemble are:

James Tinsley — Trumpet
Timothy White — Trumpet
Alec Chiasson — French Horn
David Van Dover — Trombone
Brent Adams — Tuba

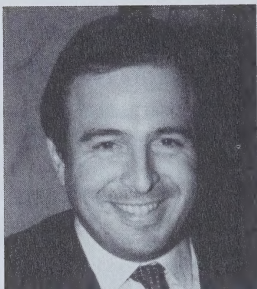
The Niagara Brass Ensemble, which gets its inspiration from the popular Canadian Brass (referred to by Niagara Brass Ensemble members as "Brand X"), plays a wide variety

of music including works from the Renaissance and baroque periods, the 20th century, as well as jazz and pop.

One of the Ensemble members has described a brass quintet as being not dissimilar to a basketball team — five guys working towards a common goal. Together as “team-mates” for only four years, the Ensemble has enjoyed a number of “fast breaks” including its role in helping launch the recent CBC Radio series *Music Around Us*.

Ladies and gentlemen, please welcome the Niagara Brass Ensemble.

The Niagara Brass Ensemble gave a presentation. The appreciation of the meeting for the exceptional performance was expressed by John MacNaughton, President and CEO, Burns Fry Limited and a Past President of The Empire Club of Canada.



January 16, 1992

Mark De Simone

President and CEO, Olivetti Canada Limited

OPENING NEW WORLDS: MANAGING IN THE INFORMATION AGE

Introduction: John F. Banks

President, The Empire Club of Canada

"Where is the wisdom we have lost in knowledge?
Where is the knowledge we have lost in information?"

T. S. Eliot

Recall the character Sebastian Flyte in Evelyn Waugh's novel *Brideshead Revisited* who clutched his teddy bear well into adulthood. Like Sebastian Flyte, North America seems to be in love with its own childhood!

In this, the 500th year since a European named Christopher Columbus sighted land somewhere in the West Indies, the book publishing industry has launched a fleet of texts on the subject of the discovery of the New World.

The cargo contained in these new texts ranges from re-enactment of the voyage, to arcane conspiracy theories, to wildly contradictory biographies of the navigator. This range of views proves the point that history, like individual memory, is selective.

One of the more interesting and colourful textual contributions to the quincentenary celebrations of this heroic figure and his historic legacy is by Paolo Taviani, Vice President of the Italian Senate. Taviani describes the navigator as "a modern man, concrete

and pragmatic" inspired by faith that was strong, sincere and inexhaustible. He views Columbus as symbolizing "the creative genius of Italy shaping the modern age."

(As an aside, Columbus, in the eyes of some, changed from hero to villain smack amid preparations for the 500th anniversary of his "encounter," the currently correct work for discovery. Fair is fair: perhaps the time has come to see Columbus from the vantage of native peoples, for whom his advent prefigured pestilence and death, robbery and servitude. It may be some consolation to Prime Minister Mulroney that another popular idol experienced a steeper fall from grace this year!)

The Renaissance period of the 14th and 15th centuries — a period characterized by a spirit of significant intensity and creativity — featured many prominent creative geniuses. Michelangelo and Leonardo da Vinci were among those contributing to the revival of arts and letters under the influence of classical models.

The Empire Club today is privileged to have as its speaker Mark De Simone, President and CEO of Olivetti Canada. As many of you are aware, Olivetti Canada, under Mr. De Simone's stewardship, has launched an effective marketing campaign which focuses on the Renaissance of the Computer. The thrust of this campaign discredits some of the conventional wisdom on computers and information technology as typified by Pablo Picasso's famous dictum: "Computers are useless. They can only give you answers." Or, as American writer Martin Mayer once put it: "Like sex drives, card tricks and the weather, computers tend to be discussed in terms of results rather than processes, which makes them rather scary."

In a recent speech, Mr. De Simone referred to the Renaissance as a "time when the focus of society was on the individual. The underlying belief was that every individual could make extraordinary contributions to society, and to the arts, painting, music and architecture." Borrowing on a theme espoused by Alvin Toffler and others, he went on to suggest that, with the Renaissance of the Computer, it's possible for the first time for all individuals to demonstrate exceptional creativity and productivity.

Of course, the handmaiden of every new technology is risk. There are no adequate guidebooks to the New. Success or failure often hinges on instinct, and the willingness to invest in a belief. Olivetti has invested heavily in the architecture of an open system — one of the cornerstones of this 20th century renaissance. The company, under Mr. De Simone, has positioned itself to play a big role in the organizational restructuring that is sweeping the business world.

A recent article in *The Financial Post* referred to today's speaker as "a man of Old World charm and New World thinking." Mark De Simone brings both these attributes to the task of changing the way we think about doing business.

Born in Italy, Mr. De Simone immigrated to the U.S. at the age of 16. He is a graduate of the engineering faculty at Cornell University and earned an MBA from Columbia University. After postings with Hewlett-Packard and McKinsey & Co., Mr. De Simone joined Olivetti in 1988 as VP Marketing for Europe. He was appointed President and CEO of Olivetti Canada in April of last year and successfully launched the Company's first PC manufacturing and testing operation in North America.

Mr. De Simone is a very youthful CEO. He is sufficiently young that he never remembers having been told not to "bend, fold, spindle or mutilate" a form. He is presently refocusing the company's Canadian operations to leverage off Olivetti's reputation as one of the largest providers of information systems worldwide.

Mark's speech, *Opening New Worlds — Managing in the Information Age*, will focus on challenges and opportunities facing us all.

Ladies and gentlemen. Mark De Simone.

Mark De Simone:

Five hundred years ago Christopher Columbus set out to challenge current thinking. He had a theory, a vision, and courage. He knew that there were risks to be faced. As one historian observed, the most difficult barrier Columbus had to surmount was a psychological one.

Columbus knew well that whether he failed or succeeded, his attempt to prove that he could travel to the Indies by sailing west would change the world. He did not succeed. He did not fail. He learned. His voyage heralded a new order. The existence of a huge land mass between Europe and India was startling new information.

New World — a term that people began to use — meant far more than a new continent. Rather the New World signified a far-reaching redefinition of society and its boundaries. Relationships among countries, enterprises, and individuals had forever changed. For the women and men of 1492

courage and intellectual curiosity were the key to this new era.

Today changes of similar proportions are taking place. The world has entered the Information Age. Business organizations, individuals and nations are feeling the impact of this new environment and its new rules.

The decade of the '90s is witnessing one of the largest redistributions of wealth and power ever recorded. What does it all mean for your business? How will your organization fare in this new environment? The answer depends on how effectively organizations use the new tools that manage information.

What I would like to discuss this afternoon is how organizations can prosper in this new economy by understanding the strategic role of information technology. We at Olivetti have called this new vision of information technology, The Renaissance of the Computer.

Let's first examine the world around us which seems to be changing at whirlwind speed. During the last 12 months political and economic boundaries that have been in place throughout our adult lives have been redrawn. Long-standing trade barriers in Europe, North America, and Asia are being lowered.

These events have no single cause. But the changes have been accelerated by the revolution in information technology. The resources for creating and using information have become little short of remarkable. There are now over 3,000 communication satellites in space, and their numbers are increasing each year. Moreover, there are over 50 million commercial computers installed worldwide with well over 100 million professional users.

We live in an increasingly complex world, with more variables to predict and forecast. And the speed at which these changes are communicated and processed has risen by orders of magnitude.

The loss of jobs and the movement of firms that we are now experiencing is not just part of a cyclical downswing. It

also reflects a profound change in the fundamentals. There is a global restructuring of economies around new value chains.

In this new environment the worth of goods and services can no longer be viewed in the time honoured manner. There is now a shift from the value that is intrinsic in the physical characteristics of the product or service, to values associated with the knowledge of who requires the product, who supplies it, and what the product does.

Take what might once have seemed a straightforward purchase. You walk into a store, buy a magazine, and pay for it with your charge card. Simple transaction? Hardly. The **information** about who you are and what magazines you prefer — information recorded by the store's computer — is worth nearly as much as the return on the sale of the magazine.

That information can be packaged in several ways and marketed to other vendors. Moreover, all internal processes of the retail organization are affected by your decision. From marketing to purchasing to finance.

In short, how effectively an enterprise uses information will in large measure determine its long-term survival.

In today's world, goods and services have a complex value. They have a physical worth and an information-based worth. And the information technology component in goods and services begins to have as much value, if not more value, than the physical one.

All organizations today are in the information business.

The impact of this phenomenon is causing businesses all over the world to rethink their role, how they add value, who their customers and competitors are, and how they organize themselves internally. As consulting giant McKinsey sees it: "One of the most challenging endeavours of any top executive today is the task of the core-process redesign of his or her organization."

How do these changes affect business? We can look at several specific areas.

Let's begin with customers. Customers have become more knowledgeable and more demanding. And understand-

ably so. They now have access to more information and are more aware of their options. They expect suppliers to know and even anticipate their needs, and to provide solutions.

The individual who comes into the local branch of her bank and sits down with the manager expects sound advice on long-term financial planning. She wants answers tailored to her own case. She expects to be counselled, not only about one particular product, but about a broad range of options — so that her complex needs are satisfied. She expects communication with the bank professional to be on a high level.

Looked at from the bank's side, there is a tremendous need to make effective use of information technology so that customers are more than pleased. Systems can no longer be used simply as a means of processing repetitive transactions. They must be seen as tools that support decision making. To begin with, they can help determine customer profiles for more effective marketing.

Information technology also provides the bank's front-line managers with a fuller knowledge of complex products. It can guide the seller through questions that might lead to better solutions. In the end, this technology should be used to make the complex task of advising clients on delicate matters much simpler. And it can be used to enter new relationships.

The information platform used by the bank representative is a crucial part of the services delivered to the customer. As this example suggests, information technology improves the value and profitability of a complex service offered the customer. It no longer simply improves the efficiency of a routine administrative task.

It's a tool for value creation.

Information technology not only transforms relationships with customers. It also changes relations with competitors. In the years ahead who will be your company's most formidable competitors? Another way of putting this question is: "What business is your company really in?"

In his book, *Microcosm: The Quantum Revolution*, George Gilder writes: "By overcoming the restraints of material

resources, the microchip has devalued most large accumulations of physical capital and made possible the launching of global enterprises by an entrepreneur at a workstation."

If knowing your customer better is a key to winning the new Information Age game, our beliefs about our competitors' size may have to be rewritten. Just ask Bill Gates at Microsoft! Who would have thought that a company which did not exist in 1975 could have challenged the giants of the information technology industry and win?

In the New World of information technology your most formidable competitors may as well come from another industry! Take the cable TV companies. What business will they really be in the year 2000? Already they've placed a decoder in many households. That decoder is really a computer that is used only to receive messages. If you upgrade that device to two-way exchanges, you've tied most of the country into an electronic telecommunications network.

This electronic delivery channel can provide much more than video programming. It could be a message delivery system, or it could be used for shopping, banking, or browsing through the catalogue of a local library. All of a sudden the post office, the telecommunication companies, the banks and retail sector become competitors and possibly partners in a new industry.

To take another example, some of the non-bank credit card companies feel they are as much in the retail banking sector as the more traditional players. But they compete with a very different cost structure and channels of distribution.

And information technology is also transforming our workplace.

As we move from a smokestack economy to an information-based one, knowledge workers become the most important factor in value creation. The most effective employees are the independent thinkers. These individuals expect responsibility and demand the proper tools to support their decision making.

How does a company realize the full potential of its knowledge workers? The answer to that question helps define the path that businesses must pursue if they wish to be profitable and competitive in the year ahead.

The successful firm will be transformed from a top-down hierarchical structure to one that is much more horizontal, and is — in many cases — organized around teams. The individuals who produce the goods or meet the clients must have decision-making authority. They must have access to a broad range of data. And they should be allowed broad flexibility in their approach to the data — and their interaction with others in the firm.

Information systems must be transformed. Here the change parallels the transformation of the firm. There's a need to move away from the traditional computing hierarchy with a mainframe at the summit and non-intelligent devices at the terminal end.

Instead the system must distribute its power to where information is used and generated. The information system must conform to the requirements of the new organization, while maintaining operational stability, security, and ease of use.

Only slowly have we been moving toward true distributed computing. In the 1980s, over 50 million personal computers entered our organizations. But most were used as a single-user productivity tool to run spreadsheets and word processing packages. All communication among users had to go through the mainframe.

As a result, when it came time to tap into the main information system of the organization, users found that their flexible and powerful workstations were limited in their function as "slaves" to the "master host." Little of the power of these PCs went to strengthen group productivity.

In the 1990s we're beginning to move away from that hierarchical structure of computing. The trend is toward linking PCs in local and wide-area networks. This provides the basis for the transition to true co-operative distributed computing.

The PCs throughout your company represent a major investment. But are you getting the return you deserve? Probably not.

The investments made by most large organizations over the past five years in personal computing technology have not yet realized their full potential. Before they do, a number of conditions must be met.

- In the first place, as technology becomes a tool for value creation, user groups must become more fully involved with information technology decisions. They must be **intimately** involved, not just from a distance. They must become as knowledgeable about their computing needs as they would be about the pricing or features of the products and services their company offers.
- As well, a new approach must be taken to develop software applications. New tools are available that make this task far easier than in the old days of a dominant mainframe. But if someone has always worked on a mainframe, that individual may have trouble adapting to the PC environment. Amazingly, most young college graduates today have had more exposure to these tools than our own "experts" have.
- Finally, the existence of standard, multi-vendor operating systems has accelerated the pace with which the software industry brings products to market and reduces their cost. As a result, there's a 'let's wait a few months' syndrome. Purchasers are hesitant to buy new products, lest something still newer or less expensive comes along. This delayed decision-making has widened the gap between needs and solutions.

How will successful organizations deal with these issues? In three ways.

First, the adoption of a clear reference architecture allows an information system to deal with the fact that applications will be running on various parts of your hardware, software and networks. Some of the processing will be done on the workstation under MS-DOS, MS Windows or Presentation

Manager. Others will be run under UNIX or OS/2 on the server. Some will come from the host on a X.25 backbone. Others will instead come from an SNA communication line. Some in fact might come on your existing proprietary environments.

Regardless of where the processing and storage of information occurs, the architecture allows the information system to take advantage of those resources and to decouple solutions from technology.

Let me give you an example of how an architectural solution works. A manager is in Word for Windows, writing an important document. This individual needs marketing statistics and information about a current advertising campaign. With one click of the mouse a window opens to the services of the system. (The manager is still in the document.) The services are in English or French.

The marketing database is selected. The manager doesn't know that the marketing database is on a server that's located across town. The system worries about all the technical details of opening and closing files, operating systems and SQL databases. Next this user searches the second database of information about the ad campaign. That database, located in another part of the company, contains several valuable ads used in the past. They are seamlessly dropped into the document.

When the manager finishes, she decides to fax the document to her boss, who happens to be on vacation up north where there are no LANs. Her directory knows that, and when she mails the document, the system knows it has to look for a fax, dial a particular number, and send it out. All this from within the Word for Windows document. That should explain the role of an architecture.

The second way successful organizations will deal with emerging issues is through commitment to open systems. This will ensure that your choices will continue to be supported by the information technology industry. It serves as an insurance contract that your technology will not become

obsolete. It makes certain that your solution can use all the major platforms. And software produced for MS-DOS, MS Windows, Unix or any other standard open systems is far more affordable than applications for proprietary systems. Why? It's just a matter of economies of scale. If 50 million workstations are using the same software, the price has to come down. No one company, no matter how large, can stop a standard that the whole industry has chosen.

Third and finally, successful organizations will have to devote their best resources not to the pursuit of the latest and greatest technology, but to the development of practical solutions for users. At a time when the focus of information technology is on the creation of value, companies must decide if they're going to use those systems to improve existing processes or to give users the power to create new and better ones. Which will it be? I think you all know the answer.

The idea of open systems is not simply a vision for the future. For many years, we at Olivetti have been helping companies all over the world shift to open systems. We provide an architectural model that frees long-term decision-making from the idiosyncrasies of technology. We have the skills to help you. And we'd like to work with you to create coherent, corporate-wide solutions.

Olivetti's approach has always been an open one. The focus of our combined efforts should be on solving the challenges that your business faces, and finding technology solutions to meet them. Not in choosing sides in a debate about technology.

Let me conclude with a call to action for executives.

My first recommendation is that executives evaluate investment in technology from a new perspective not just on cost reduction, but on revenue and margin generation. Traditionally, outlays for information technology investments were approved because they lowered operating expenses. But in today's world it's better to think of information technology as a means of adding value to products and services, strengthening customer loyalty, and reaching new markets.

Not only will the expense side of the income statement be affected. Information technology will also boost revenues and improve margins.

My second recommendation is that investment in technology be viewed as a business decision undertaken by all executives, not just the "specialists." Traditionally, decisions about whether to buy information technology were the mandate of people running operations. Today technology is increasingly viewed as a business investment. Hence the decision about whether to invest must be a collaborative effort. Both the business group users and the technology specialists must work together to identify needs and find solutions.

My final recommendation is that the corporate information system should exercise control in a different way. In the past it was easier to run a tight operational ship by limiting the functional options of the user. Today it is important to foster an environment that allows knowledge workers to be fully effective. Promoting the desired behaviour is a lot more difficult than directing or controlling it. But the rewards are that much greater.

The world is changing, and so must we. The pace of change, the intensity of competition in all our businesses is quickening. And central to the transformation of business activity is the explosion of information technology. We need a new mindset. "The difficulty," as John Maynard Keynes said, "lies not in the new ideas, but in escaping from the old ones, which ramify into every corner of our mind."

Either our businesses will respond to this challenge, and take full advantage of these new powerful tools, or in the plainest language — they won't survive.

As Columbus did 500 years ago, we executives must show vision and courage in facing the challenges ahead. Ahead lies a new world of information. A world that will astonish us, if we have the courage to face it. This is the Renaissance of the Computer.

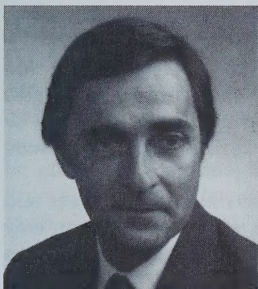
I urge Canadian managers to take the steps I have described. We are well positioned for leadership in this information age. We have one of the best educated populations in the world. We've long been in the forefront of such information industries as telecommunications. Now it's time for us to show that we can be on the cutting edge of the revolution in information technology.

The poet T. S. Eliot wrote:

Between the idea
And the reality
Between the motion
And the act
Falls the Shadow.

Let's not be daunted by indecision. The time to act is **now**.

The appreciation of the meeting was expressed by Ed Badovinac, Professor, Department of Electronics, George Brown College and a Director of The Empire Club of Canada.



January 23, 1992

The Hon. Pierre Cadieux

Minister of State for Youth and Minister of State for
Fitness and Amateur Sport

EDUCATION: THE DOOR TO PROSPERITY

Introduction: John F. Banks
President, The Empire Club of Canada

The Dean of MIT's Sloan School of Management, Lester Thurow, in a recent Toronto address argued that the traditional way in which individuals prosper, businesses become successful, and countries generate a high standard of living for their citizens is changing rapidly.

Perhaps Arthur Koestler said it best when he suggested that the future is not what it used to be. He might have added that it never was!

The four strategic variables that have always produced prosperity are capital, technology, natural resources, and the skills (or education) of the work force. These variables, in various combinations, along with good management, create economic success.

But, according to Thurow, three of these strategic variables — capital, technology and natural resources — are highly mobile. Canada's historical treasure chest — its natural resources — represents an ever diminishing component of wealth creation. According to Thurow: "In the 21st century, nobody is going to be

rich based on natural resources, which creates a problem in North America."

Tomorrow's only strategic asset, Thurow argues, is the education of the work force — not just the people who'll invent new products — but the ones who run the process technologies or deliver the services. In short, educated workers are synonymous with success.

For a country no longer able to live off its natural resources and required to live off its wits, the Canadian educational system may not be good enough. Pre-university education in this country soaks up \$26 billion a year; and yet the country's dropout rate is slightly more than 30 per cent. What other public institution in this country is allowed to continue operating with a 30-per-cent failure rate? Put another way, Canada's participation rate of 17-year-olds in formal education is behind that of Japan, Germany, the U.S. and Sweden.

I have a favourite allegory. Every morning a gazelle awakens. She knows that to save her life, she will have to run faster than the fastest lion. Every morning a lion awakens. He knows that to escape starvation, he will have to be faster than the slowest gazelle. It makes no difference whether Canada is the gazelle or the lion; when the sun rises, the race begins.

What steps should Canadians be taking to remain competitive in the global marketplace? In the area of educational reform, can Canadians — and, in particular, their political leaders — afford not to be aggressively proactive? As Will Rogers once said: "Even if you're on the right track, you'll get run over if you just sit there."

The Federal Government is facing the challenge head-on of how Canada can return to a high-skills, high-wage economy. In this regard, the government is facing a number of important issues. How can Canada avoid having insufficient skilled labour to fuel economic growth? What steps can be taken to keep Canada exporting more products and fewer jobs?

The Empire Club is privileged to have as its guest speaker today the Honourable Pierre Cadieux, Minister of State for Youth. M. Cadieux recently launched a five-year Stay-In-School program to address the issue of the large number of Canadian teenagers who quit high school each year.

The program is premised on a partnership between business and government. Canadian business leaders are encouraged to lend a helping hand — rather than a hand-out — to the future business leaders of Canada. Together, the public and private sectors can work to deal with the troublesome dropout problem. As partners, they can help discredit the view expressed by Mark Twain when he said: "I have never let my schooling interfere with my education."

In addition to being Minister of State for Youth, M. Cadieux is Minister of State for Fitness and Amateur Sport, and Deputy House Leader. He has also served as Solicitor General, Minister of Indian Affairs and Northern Development, and Minister of Labour. He has been a Member of Parliament since 1984.

In connection with his Amateur Sport portfolio, M. Cadieux will be taking all Canadians' hopes and prayers with him to Albertville, France, in the next few weeks in support of our Canadian Olympic team.

Ladies and gentlemen, I ask you to welcome the Honourable Pierre Cadieux.

Pierre Cadieux:

I'm honoured by the invitation of The Empire Club which has, throughout this century, been on the leading edge of public policy issues in this country. It is indicative of the times in which we live, and the importance of this forum, that the Prime Minister spoke to joint meetings of The Empire and Canadian Clubs twice last year about the unity and prosperity of Canada.

My message is about education — specifically staying in school — as the key component in Canada's competitiveness and prosperity. Education is equally the key to Canadians understanding their history, and each other. If we understand our past, and the nature of our country, we enhance our chances of remaining together in the future.

I want to talk to you today both as parents, leaders in your community, and as executives, leaders in the business community. I want to discuss the issue of Canada's youth leaving school, and the importance to our country of their finishing school.

As Egerton Ryerson, Ontario's first superintendent of education, said in our Confederation Year of 1867: "Education is a public good, ignorance is a public evil."

A century and a quarter later we are dealing with the "public evil" of a dropout rate of 30 per cent, one of the highest, if not the highest, in the industrialized world.

The government has developed a five-year, Stay-in-School initiative of nearly \$300 million — you've probably seen the television spots of the kid calling from a pay phone about a job ad, and the look of frustration and dejection on his face when told a high school diploma was required. It's powerful, memorable stuff.

The Stay-in-School campaign includes three components: First, labour market programs and services for at-risk youth; second, public awareness and advertising activities; third, and this is where you come in, mobilizing stakeholders to develop and apply solutions.

We need your help. We're asking you to get involved, and it's in your economic interest to do so. No level of government alone can resolve the issue of high school dropouts or address the larger question of developing a lifelong learning culture to keep this country competitive. It must be a country-wide effort at the community level involving business and the trade union movement, as well as the education and voluntary sectors.

And we need to recall the mandate of the Ontario Department of Education on its creation by the government of Oliver Mowat in 1876, to bring the schools "into harmony with the spirit of the times." These are times of global competitiveness, and if we do not meet the test of these times, we will be left behind as a country.

We can only address the dropout issue as partners. At stake is nothing less than the performance of our youth and the prosperity of our country.

Canada's dropout rate of at least 30 per cent, to four per cent for Japan, tells you a lot of what you need to know about our competitiveness. Japan also has a school year of 240 days, as compared to about 180 days in most Canadian provinces.

As Xerox Chairman David Kearns has observed: "If the Japanese miracle has a single cause, it is the quality of the Japanese work force. No nation has a better qualified work

force, and no nation has a longer or more impressive record of economic growth.”

Let me give you a quick run through of the situation, and I'm sure you'll agree that the challenge is as compelling as it is clear.

Unless we reduce the rate of high school dropouts in Canada, more than one million young Canadians will leave school in this decade without finishing high school. Think about that — at the present rate of 100,000 dropouts a year, more than one million young Canadians won't finish high school in the '90s.

Think about the economic and social effects of that, as parents and as business people.

The economic impact is clear and quantifiable. Unemployed youth claim some \$3 billion a year of Unemployment Insurance and social welfare benefits — programs which you pay into as employers and as private citizens. Over the course of the decade, we're looking at more than \$30 billion of social assistance to high school dropouts.

That's to say nothing of the cost to industry. For example, most high school dropouts do not have the junior high school readability skills required to read training manuals. They are functional illiterates. The Conference Board of Canada has estimated the direct cost to Canadian business of illiteracy at \$4 billion a year, and the indirect cost at \$10 billion when industrial accidents and absenteeism are factored in.

And high school dropouts are seriously disadvantaged when it comes to training, an issue that will only increase in importance during the course of this decade.

The fact is that standards of technological literacy are increasing not decreasing. Two-thirds of Canadians now in the work force will be working in the year 2000. But most of the technology they'll be using hasn't been invented yet.

When you think about it, this is not really a surprising statement. Last year IBM celebrated the 10th anniversary of the personal computer, which, as the company said,

“changed the world.” But, when you go back to your office after lunch, have a look around, and you’ll probably see that first generation desktop computer off in some corner gathering dust like a museum piece.

Between now and the year 2000, the proportion of new jobs requiring 17 or more years of schooling will rise to 40 per cent, compared to only 23 per cent today. And 63 per cent, or nearly two-thirds of all new jobs, will require at least 12 years of education — high school graduates. Furthermore, the average worker can expect to change careers three to five times during his or her working life. Today’s young people have to be competitive, they need to be versatile, they need basic educational requirements to tackle tomorrow’s working conditions.

Clearly, our youth need to be better educated, and better trained. And yet we lag, rather than lead, in training. Only three Canadian companies in 10 provide formal training for their employees.

In the World Economic Forum’s annual survey on competitiveness of the 23 OECD nations, Canada ranks fifth overall but only 20th in training — near the bottom of the list.

Per-capita expenditures on training by Canadian firms are only half the level of the United States, and only one-fourth the level of Germany. That’s you, I’m afraid.

The system is also failing our young people, and our business community, at both the secondary and higher level. Our educational system ranks only 11th in its responsiveness to the demands of global competition.

As Harvard University’s Michael Porter points out in his recent study on Canadian competitiveness for the Business Council on National Issues: “The level of advanced skills in Canada — critical to sustaining and upgrading sources of competitive advantage for Canadian industry — is inadequate.”

Though high school dropouts are clearly the biggest challenge facing us, there are also problems with the quality and focus of higher education.

The problem isn't with enrolment — Canada has the second highest university enrolment rate in the world. It isn't with funding — Canada spends more per capita than any country in the world, excepting only Sweden. The problem isn't money. The problem is results.

We're not, for example, turning out enough scientists and engineers. According to one estimate, Canada will be at least 25,000 engineers short of its needs by the year 2000. Clearly, we cannot maintain and expand our own infrastructure, much less participate in major international projects, unless we have the people to do the job.

It was precisely to encourage young people to enter these disciplines that the Federal Government, and specifically the Prime Minister, in 1988 created the Canada Scholarships in Science and Technology, which fund the undergraduate studies of 2,500 young Canadians in each year of university.

At least half the scholarships must be awarded to women, to encourage their entry into fields in which they are still under represented. In the current academic year, the fourth year of the program, a full complement of 10,000 Canada Scholars is attending university. The cost of the entire program is \$80 million over the first five years. It is arguably the single best investment we could make in the future of our country.

We've also created 14 university Centres of Excellence, with nearly \$250 million of funding, which are intended to enhance our national base in research and development. And we have, as a government, also created an R-and-D-friendly tax regime, recognized world-wide as one of the most attractive to companies looking at doing R and D here.

But our most urgent need is to address the question of high school dropouts. They are among the most at-risk of our young people. They are the ones most likely to be living below the poverty line, living in dysfunctional homes, often leaving home, and sometimes living as single parents. The odds are against them in life almost before they start out.

High school dropouts earn, on average, \$55 a week less than persons with high school diplomas. That's nearly \$3,000 a year. Over the 50-year working span of a 15-year-old dropout, he or she can expect to earn about \$150,000 less than a high school graduate. And that's in today's dollars.

Not only will high school dropouts earn less, they will work less. There is a direct correlation between educational attainment and employment opportunities.

In 1990, the unemployment rate for youth with only elementary education was nearly 25 per cent, more than double the 12-per-cent rate of high school graduates, and three times the 8.4-per-cent rate for those with some form of post-secondary education. Not only are Canada's youth at risk, so is Canada's competitive position.

Only Germany, among the G-7 nations, is more trade reliant than Canada. We trade twice as much on a per-capita basis as Japan. And our share of world trade is slipping — since 1985 it has declined from 5.1 per cent to 4.2 per cent, the steepest decline of any of the G-7 countries.

While our share of world trade is slipping our reliance on resource trade is increasing. From 1978 to 1989, Canada's share of world resource trade virtually doubled, from five per cent to 9.5 per cent. But our share of world non-resource-based industries has declined by half, from 3.4 per cent to 1.7 per cent over the same period.

It's been said that for the first 100 years of Confederation, we lived off our resources, and since then we've lived off our credit. But now we must rely on our brains.

While there are other components of comparative advantage, none is more important than education. As a country, we're just not there anymore.

Professor Porter of Harvard identifies knowledge or education as one condition of national competitive advantage. But the others, human and physical resources, capital and infrastructure, all come down to education.

Our human resources — our work force — are only as competitive and productive as the quality of their education

and training. Our capital — our investments — give back to us what we put into them. And that includes upgrading our infrastructure. Canada's research and development is at the bottom of the G-7, some 1.3 per cent of output, nowhere near where we need to be to remain competitive.

This is not some Darwinian notion of the survival of the fittest, but if our work force isn't productive, if our resources and services aren't competitively priced, if our standards or quality aren't the best, then people aren't going to buy Canadian simply because they think we're nice.

So the question is, what are we doing about education in Canada? And some would ask, what is the Federal Government doing in education at all?

The Federal Government already spends \$11 billion a year in education transfers to the provinces. That gives us a responsibility, as well as a role, in education. However, we will continue, as we have done in the past, to work closely with the provinces when dealing with matters of education.

There are those, and not only in my own province of Quebec, who point out that education is an exclusive provincial jurisdiction. But the issue isn't merely one of authority, it is equally one of how we measure up as a country.

It is of no interest to the Europeans or Japanese whether education in Canada is a federal or provincial jurisdiction. They are interested in the quality of our goods and services, and education has everything to do with that.

In the Speech from the Throne last May, we set out three Canadian goals worth attaining to promote a learning culture in this decade: to reduce adult illiteracy by half by the year 2000; to achieve a 90-per-cent high school graduation rate or equivalency; and to double the number of science and engineering graduates.

The government fully appreciates the constitutional sensitivity of initiatives touching on the provincial jurisdiction of education, but all of these Canadian goals can be achieved within the existing constitutional framework, and under the auspices of the Council of Ministers of Education.

We see the provinces and territories not only as partners in Confederation, but as partners in prosperity. We are all in this together.

And that's where you come in, as parents and business leaders. As parents, we all have a responsibility to encourage our children to remain in school.

Your son or daughter isn't challenged or isn't engaged, isn't participating in school activities, those are early warning signals of trouble. It's not just the teacher's or the school's job to get them focused, it's yours, and it's mine. If your youngster is bored by school and thinking of quitting, it's up to you to ask the question: "When was the last time you heard someone say, 'I wish I hadn't finished high school.'"

If your son or daughter's part-time job exceeds 15 hours a week, then it's becoming too full-time. There's nothing wrong with them having a few dollars in their jeans, and learning how to manage their own money, but they shouldn't confuse flipping hamburgers at a minimum wage with a rewarding life's work.

And as business leaders, we need your involvement in the Stay-in-School program. This is demonstrably in your own interest. How are you going to fill job vacancies which increasingly require Grade 12 level skills when our dropout rate is stuck on 30 per cent.

There is a whole range of activities business can do — you can add the SIS message to your advertising to raise public awareness. For example, Sears Canada added an SIS message to their Back-to-School advertising. You can also provide services directly to students. We need you and your colleagues — especially your personnel and recruiting officers to visit high schools and speak about career opportunities or act as mentors to model work experience. And finally, as leaders in your community, you can encourage your local service clubs and chambers of commerce to get involved. For example, the Boys and Girls Clubs and Esso dealers in southern Ontario are co-operating on a Canada's kids program.

Yet another example of the kind of partnership I want to encourage sees Josten's Canada Inc., Sunsweet Fundraising Inc. and TG Magazine, all represented here today, challenging young people in school to find solutions to the dropout problem through a national project contest called the 10/10 ticket.

Nothing less than a community-wide effort, throughout the Canadian community, will enable us to meet the challenge. An educated Canada will be a prosperous Canada. An educated Canada will also be a united Canada.

Mathematics, biology, physics and chemistry at the high school level open the door to accounting, medicine, engineering and, yes, rocket science. They open the door to the knowledge-based industries that will be the growth sectors of our economy. We have world leaders like Spar in aerospace, Bombardier's Canadair division in aviation, Corel in computer software and Alias in computer generated graphics. They are driven by the entrepreneurial spirit, and by brain power.

High school language skills give our children a pluralistic outlook on life, and make our country more competitive. I frankly think most Canadians have moved beyond some of the petty posturing we hear on both sides of the language issue. The 250,000 Canadian kids in French immersion are eloquent testimony to that. No one forced them into it. Their parents simply know, as Oliver Mowat observed a century ago, that "no one is the worse for knowing two languages."

And with a sense of history and geography at the secondary school level, our youth have a better understanding of Canada and its place in the world, this country which the United Nations human development index ranks second in the world and which most of us, deep down, think of as second to none in the world.

But part of our problem in this country is that we don't know each other well enough, and we don't know our history well enough.

Let me give you a quick example.

One of the most contentious aspects of our new constitutional package, and of the previous one, is our proposal to recognize Quebec's distinctiveness within Canada.

By the way, in French, the word distinct has no connotation of superiority and Quebecers themselves would be the last to make such a claim. It means different. And Quebec is different. The language is different. The culture is different. The legal code is different.

This has been recognized in Canadian constitutional convention and law since the Quebec Act of 1774, which guaranteed the rights of Quebecers to practise their religion, observe the French civil code, and in effect, preserve their language and culture. These rights were retained by the Constitutional Act of 1791 and again by the British North America Act of 1867.

These provisions applied in no other province. But nobody, then or since has ever suggested that they meant special status for Quebec, or for its linguistic minority.

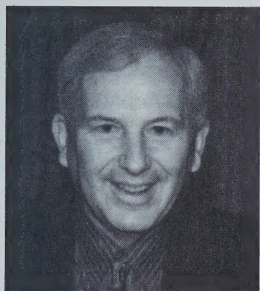
That's what I mean when I say we need a better understanding of our past to achieve better insights into our future.

By our young people staying in school, we will build a more prosperous and united Canada.

Unity and prosperity. One unlocks the door to the other. Each is really the other side of the same door. I suggest we walk through that door together, into a Canada that realizes the promise that has always been held for it.

Thank you very much.

The appreciation of the meeting was expressed by Sarah Band, Retailer, Owner of Bianco Plus and Past President of The Empire Club of Canada.



January 30, 1992

Patrick J. Lavelle

President and CEO, Canadian Council for Native
Business

ABORIGINAL SELF-GOVERNMENT AND ECONOMIC SELF-SUFFICIENCY

Introduction: John F. Bankes
President, The Empire Club of Canada

Chief Dan George once said: "One of these days every person in Canada will be a Canadian."

For those who have not yet achieved full equality of opportunity, the burning question is — when? When will all peoples of this country attain equality and self-sufficiency?

More and more frequently, this issue is being raised by the Native people of Canada. It is, with little doubt, past time to get history working again for Canada's indigenous people.

The image of Elijah Harper, gently holding his ceremonial eagle feather, will endure in the minds of students of Canada's constitution. On Friday, June 22, 1990, Mr. Harper — by using procedural rules to block the Manitoba legislature from ratification of the agreement — effectively killed the Meech Lake constitutional accord that would have bound all 10 of Canada's provinces together in a new federal agreement. So doing, he brought Aboriginal issues to the forefront of people's minds.

Canada is at a crucial, and very fragile, juncture in its history. One of the principal reasons for this fragility is the deep sense of alienation and frustration felt by many Aboriginal Canadians.

Issues affecting Aboriginal Canadians have, at last, barged their way to the top of this country's agenda. The present political and judicial structure, in my view, has failed Aboriginal people on a massive scale. It has been insensitive and inaccessible. Accordingly, any process of change or reform in Canada — whether constitutional, economic or social — should not proceed, and cannot succeed, without Aboriginal issues being an important part of the agenda.

The time is right for changing attitudes. The jarring images of Oka are still fresh; Native Canadians have an appealing new leader in Assembly of First Nations National Chief Ovide Mercredi; the federal Law Reform Commission has recently released its report to Parliament on *Aboriginal Peoples and Criminal Justice*; and a Royal Commission on Native self-government has just been launched.

In the context of constitutional reform and its impact on Aboriginal Canadians, it is crucial — to use an expression of an Inuit friend of mine — to cause “constructive damage to the status quo.” This process of change represents a rare opportunity to improve the lives of Canada's one million Native people and, thereby, the lives of all Canadians.

At a time when constitutional reform is on the minds of many Canadians, the country's Aboriginal peoples are telling us that recognition of their inherent right to self-government is one necessary condition of their progress out of many social pathologies. I believe them.

“Self-government” — a term that invariably accompanies discussions of Aboriginal rights and the well-being of Native Canadians — can mean very different things to different people. The discussions on this subject are characterized by considerable debate and disagreement. These are the small “angels-on-the-head-of-a-pin issues” that, in my view, serve to muddy the debate.

The Globe and Mail's Editor in Chief, William Thorsell, in a recent speech, argued that Native people's self-knowledge, self-respect and self-responsibility through self-determination are essential to the process of constitutional reform. Thorsell points out: “It cannot be a misty act of idealism, expunging historic guilt and serving by itself as a panacea for deep-seated cultural and social problems in the Aboriginal communities. (Similarly,) it cannot express itself as indulgent paternalism of Aboriginals that winks at wrongs and tolerates irresponsibility.”

As German poet, dramatist and novelist Goethe once said: "To tolerate is to insult" — meaning that paternalism is contemptuous of those it indulges. Thorsell concludes that Canadians must guard against that classically liberal tendency in our passion to redress wrongs and address the Aboriginal question in Canada.

Norman Mailer once pointed out: "Idealism is fine, but as it approaches reality the cost becomes prohibitive." The goal of the Canadian Council for Native Business — or, CCNB — is to turn idealism into realism. The goal of this national, non-profit private-sector initiative by the Canadian business community is to develop for Canada's Aboriginal peoples the economic self-sufficiency that is the basis for self-government. In short, the goal is widespread affirmative action to counter the effects of racism and stereotyping and to give Natives access to mainstream corporate Canada.

Today, The Empire Club is honoured to have as its guest speaker Patrick Lavelle, CEO of CCNB.

Trying to synopsise Pat Lavelle's background is a bit like trying to pick out a colour of the rainbow! He has accumulated an extensive portfolio of experiences. Pat has considerable business experience, as a senior officer with Magna International. He has run a trade association, as President of the Automotive Parts Manufacturers' Association. He has been a reporter, an advertising and marketing executive, and a political aide to senior federal cabinet ministers. He also finds time to lecture at York University's Faculty of Administrative Studies.

Perhaps Mr. Lavelle is best known for his experience in government and the public service. As Ontario Deputy Minister of Industry, Trade and Technology from 1985 to 1988, he dealt with many of the critical issues determining Canada's ability to compete in the global arena — the free trade agreement with the U.S., establishment of the Premier's Council on Competitiveness, and efforts to overhaul education and skills training.

Ladies and gentlemen, I am pleased to introduce Pat Lavelle. His speech title today is Aboriginal Self-Government and Economic Self-Sufficiency.

Patrick Lavelle:

I am pleased and honoured to be back at this august forum where I first spoke almost 10 years ago on the future of Canada's automotive industry.

At that time I was reporting on my role as a co-chairperson, along with Bob White, of a Canadian Federal

Government task force charged with the responsibility of devising a strategy for the industry which was then being challenged by Japanese imports.

Besides being the cheapest and, perhaps, the fastest government task force in history — we charged nothing and completed our work in three to four months — we devised an industry strategy, supported by management and labour, that led to some of the greatest growth the industry had ever experienced.

Regrettably, the Government in its free trade negotiations with the United States in 1988 cut the heart and soul out of the Auto Pact which has led to the sorry state of the industry in Canada today. I cannot predict what, if anything, will remain of it after the next 10 years.

Today I do not want to talk about autos or parts or bureaucrats or politicians. I want to discuss a subject which is vital to the future of this country — Canada's Aboriginal people and their justifiable claim to self-government.

The issue of self-government for the Aboriginal people of Canada is not a concept easily imagined or accepted by non-Native people like myself and many millions of other Canadians. Indeed, I am sure that even within this room there are as many concepts of what Native self-government is and the changes it would bring to both Native and non-Native Canadians as there are people sitting here.

After all, most of the people of this great country wish to remain united under one constitution. Providing adequate room for self-government of Aboriginal people and a Distinct Society for Quebec is the essence of the current debate. A solution to these two problems should bring us constitutional peace, at least for a while.

While most Canadians support proposals which will provide Aboriginal self-government, they are less certain about the quest of Ovide Mercredi for the inherent right of self-government to be enshrined in the Constitution. However, to Aboriginal people this is the fundamental principle that they are fighting for. One, in their opinion, which has been denied

to them ever since Europeans took over this land centuries ago.

Neither the Aboriginal people nor the Government has really attempted, at this point, to spell out exactly what the word inherent means. Does it provide for another country within a country? Will Aboriginal people, for example, want to send their own representative to the United Nations?

Or does it mean that Aboriginal people in Canada, as they have in the United States and elsewhere, want to take control of their own schooling, social services, taxation, economic development, and most important, their land and assets? These issues will be clarified and defined as the discussions develop.

Unfortunately, many Canadians support self-government as a way of eliminating government support and special status for Aboriginal people. This view is not widespread because most fair-minded Canadians realize that Canadian governments and agencies have been the single, largest contributor to the downfall of Aboriginal culture and communities in this country. These policies have led to consistently high rates of social problems, record levels of teenage suicide and unacceptable unemployment levels.

Reality is the hard facts. The statistics we can see. Statistics that make us feel something about the lack of housing, education, employment and basic services we take for granted.

In recent years, governments at all levels have reacted positively to change and opportunities within the Aboriginal communities. But it will take many decades to right the wrongs that have been done to thousands upon thousands of First Nation peoples. We have an obligation to make self-government work, not only for Aboriginal Canadians, but for all Canadians. We have a vested interest in their success.

I am not here to debate the pros and cons of self-government. I support it and believe that the inherent right of self-government should be recognized within the Constitution. Most governments in Canada support self-gov-

ernment and are committed to its realization. The real issue is, are the economic underpinnings in Aboriginal communities strong enough to sustain it?

The private sector and governments, as well as Aboriginal people themselves, must find ways to build a solid base of economic stability using the benefits of land claim settlements, Native entrepreneurial activity, and government assistance to ensure not only that self-government works, but that it becomes an important economic boost to the entire Canadian economy for generations to come.

What is interesting is that the economic ills faced by Aboriginal leaders are not that different than those facing all Canadians. The creation of jobs, the ability to raise capital and sustainable growth in a risk-averse environment bedevil Aboriginal people just as they do Bay Street or Howe Street.

We are not in two different solitudes here. We are two peoples needing and looking for the same things economically, socially and, yes, spiritually. The question is, are we going to work together for success or take different paths which will end in failure?

The Native people of Canada have not been idle. In the past 10 years they have made tremendous progress. The advances in education are staggering, business start-ups are accelerating and socially the Native leaders have initiated programs to combat suicide and alcohol abuses on the reserves of Canada.

There are many examples of this determination. Shortly after joining the Council six months ago, I visited Tyendinaga, a Mohawk reserve near Belleville, where a Native-run technical training school is graduating Native pilots and computer experts. In Saskatchewan I visited the Federated Indian College, a part of the University of Regina, where 1,000 Native Canadians are moving toward degrees.

In the same city, at the Gabriel Dumont School, another 500 Native students — non-status and Metis — are working their way toward degrees in engineering science and business administration. At UBC, Aboriginal students are being

taught courses with a high First Nations content by a growing number of Aboriginal professors and lecturers.

At the University of Brandon and Lethbridge in Alberta, a good percentage of the faculty is Aboriginal and the student body has a large and growing Native enrolment. No matter where you go in Canada, Native enrolment in post-secondary education is exploding, while at the same time — almost perversely — governments are reducing funding.

In 1981, there were only 4,000 post-secondary school Aboriginal graduates in Canada. Today that number has surpassed 100,000 with over 23,000 in classes leading toward degrees at this time. That number will continue to grow in the year ahead.

I have met some of these graduates. Some of them work for CCNB now and many others have participated in a unique CCNB internship program that places Aboriginal Canadians in the private sector for a one-year training period, which is supported financially by the private sector and the Federal Government.

In the past four years, CCNB has placed about 400 of these Native interns with a retention rate of about 50 per cent. It is regrettable that these 400 are so few when the demand is so great. We obviously must do more and the private sector must step up to the task.

I have had the opportunity to see that co-operative spirit between government, private sector and Aboriginal entrepreneurs in action. I visited the Aboriginal self-governing community of Sechelt on the sunshine coast of British Columbia where for over several years now Native Canadians have been running and administering a community which includes both Natives and non-Natives.

Based on initiatives taken largely by David Crombie and the Chief of the Sechelt Band, this unheralded development is only one model that exists among many, both in Canada and elsewhere. The principle of self-determination and control has been ceded to the Native leaders by both the Federal Government and the Provincial Government of British

Columbia. The positive results are beyond anyone's expectations as the community develops and prospers.

There is no turning back now. Before this century is over, Canadian Aboriginal people should be in charge of their schooling, tax regime, police, justice and welfare. This cannot be achieved simply by signing agreements and land claim settlements. It can only be done with a massive effort of economic co-operation between the private sector and Aboriginal entrepreneurs and business people.

But, we should make no mistake about it. There are enormous problems ahead for Canada's Aboriginal peoples if the rest of us just turn over the keys and clear out of land that has been returned to them. Economic development, the underpinnings of self-government, despite the successes I have detailed, is still in the formative stages and there have been more failures than successes.

Aboriginal communities are still more or less utilizing economic development assistance provided by any number of Federal Government departments who spend over \$4 billion a year supporting Aboriginal infrastructure. The private sector of Canada is by and large absent from these developments and has demonstrated very little desire to get more deeply involved.

There are, of course, leaders in the business community who take the issue seriously, such as Murray Koffler and Edward Bronfman who founded the CCNB to help the process. But the difficulties of initiating joint ventures and making investments on the reserves of Canada have been more difficult than rewarding. Much of this is because Native entrepreneurs were seldom in a position to make decisions. Instead, they were usually second guessed by government officials who encouraged band councils to focus on short-term needs rather than on the creation of new businesses and jobs.

In my first several months in this job, I have reached several fundamental conclusions on how we must proceed to assist, rather than impede, the drive of Native business per-

sons I have witnessed. You will note that what is striking about this agenda is that it is not all that different from the policy prescription for the entire economy.

Education is at the heart of our Canadian dilemma. We cannot compete, not because we do not have the brains, but because we do not have the skills. Native Canadians face double jeopardy — with cutbacks and limited availability.

If education is the key to the future of all Canadians, it is crucial to the economic self-sufficiency of First Nations People. Without economic freedom, which will only be attained by building on the initiatives which I outlined and improving the skills and opportunities available to young Native people, self-government and self-determination will be one more historic blunder that will be folly for Canada's First Nations and for the country.

Second, like all Canadian entrepreneurs, Native Canadians are starved for investment capital. What access they have to capital is highly leveraged and overtly controlled by others. While Native lending institutions, such as Peace Hills Trust, have been highly successful, they are a lending institution based on the same low-risk principle as other lending and banking institutions in Canada.

I fail to see how economic development can proceed unless the availability of capital, both risk and non-risk, is greatly increased — and soon.

The creation of a venture capital corporation with both private sector Natives and non-Native capital is an urgent priority. So is the creation of an Aboriginal economic development bank.

Aboriginal leaders too have a responsibility to establish strong links to the Canadian private sector by putting a stronger emphasis on economic development. Band councils are often seen as anti-reserve development or biased in favour of the social side of the economic ledger or unwilling to provide entrepreneurs with long-term commitments.

These obstacles to development must be overcome. The separation of business decisions from band politics would be a first step.

Third, the resource development of Aboriginal land. The Government must remove strings attached to resource revenue and turn the stewardship over to the First Nations. There is no law or record which demonstrates that bureaucrats in Ottawa will have any greater success in utilizing these revenues than Aboriginal entrepreneurs. Besides, these royalties are a valuable source of investment funds that are required now.

Fourth, providing preference for Aboriginal Canadian entrepreneurs and manufacturers through government purchasing policies would also be a source of incentive and growth. These are not guarantees, but a process of encouraging the growth of Aboriginal service and manufacturing industry which, at the present time, make up a small proportion of Aboriginal economic development revenues.

The passage of "buy Aboriginal" legislation by the Federal and Provincial governments, establishing both purchasing and employment targets, should be a priority of all Canadian governments. These in turn should be emulated by the private sector and Crown Corporations.

Fifth, the thorniest issue of self-government is, of course, taxation. Not just the question of personal tax exemption enjoyed by status Indians, but the long-term tax implications of tax policies on Aboriginal entrepreneurs and business people both on and off the reserve.

Many Canadians will say that self-government will, and should provide, the right of Aboriginal people to impose taxes on their own people. This is the case right now. Native bands do tax just as they disperse funds provided to them under various government programs. But, with taxation comes choices and responsibility that has been exercised by others for them.

For example, should reserves be designated tax-free zones for the purposes of business development by both Aboriginal

and non-Native business entrepreneurs either separately or jointly? Should unique Aboriginal products be sold, off reserve, tax free by Aboriginal or non-Native business people?

Finally, the role of Canada's private sector. Governments cannot create jobs, only the private sector can. Progressive and far-sighted Aboriginal leaders who are leading their people to a new and better environment need to be supported in tangible, and, yes, costly ways — by putting their resources where their hearts and their minds should be.

I am not talking about charitable donations. I am talking about hard-headed economic decision-making which satisfies shareholders and provides good returns of invested capital. For example, in Sechelt the Aboriginal leaders have provided the opportunity for a large cement contractor in British Columbia to utilize a gravel deposit base on Aboriginal lands for their purposes to the economic benefit of both.

There are Native entrepreneurs in diverse lines of businesses from running airlines to bus lines, from corner stores to theme parks. There is a role in all of these developments for the non-Native private sector, providing it is not exploitive or exclusively beneficial.

In the future, investments in communication, manufacturing, radio and television stations, banks, recreation and other institutions are a must for Canada's fastest growing population segment. At this point, I sense that the Aboriginal people welcome non-Native participation and that interest is likely to grow provided it is done now.

The pillars of self-sufficiency — education, capital availability, resource development, taxation and specific economic development tools, must be established by the Native peoples of Canada and governments at the federal and provincial level. However these pillars are fragile and in need of much support and reinforcement.

While the Canadian Government wrestles with the problem of a nine-per-cent unemployment rate across Canada, Aboriginal leaders are struggling with 60-per-cent unemploy-

ment rates and a high-school dropout rate which is unheard of in any other society. The ability of Aboriginal leaders to create jobs on and off the reserve, which will reduce the dependency on government, will be the key on which the success of self-government will be judged. The rhetoric fades while the reality explodes.

As these numbers indicate, the private sector and Aboriginal entrepreneurs face an urgency to address these stark realities. The time has arrived, the die has been cast and it is up to us to put the economic infrastructure in place to make it happen.

If, over the next few years, the standard of living of Aboriginal Canadians were brought up to the level of the average Canadian, the Canadian economy would have a permanent increase of 2.5 per cent. This is a larger jump than the intended growth as a result of the signing of the Free Trade Agreement with the United States. And, it is certainly larger than any other economic opportunity on the Canadian horizon.

The business leaders, both Aboriginal and non-Native, who founded CCNB eight years ago saw the Council as a means to bridge the gap between the two other solitudes — business and Native entrepreneurs. By and large it has started its job, but it has failed to deliver the message to the public sector or the private sector or to the Aboriginal business community.

We need the support of Canada's business community to expand our intern programs, to provide support for education at the secondary, post-secondary and community college levels. We need support to bring business people to create wealth on and off the reserve for Aboriginal and ordinary Canadians. And, more important, we need support to demonstrate that what efforts are and have been made, do have a pay-off and a better future for a group of Canadians that have been badly treated by our forefathers.

Thank you.

The appreciation of the meeting was expressed by Bart Mindszenty, Partner, Mindszenty and Roberts Communications Counsel, and a Director, The Empire Club of Canada.



February 6, 1992

Dian Cohen

Author and Journalist

MAKING IT IN THE NEW ECONOMY

Introduction: John F. Bankes

President, The Empire Club of Canada

In the words of Anne Murray's hit song of a few years ago: "We sure could use a little good news today."

In *Peter Pan*, J. M. Barrie's classic, Peter urges children to clap if they believe in fairies. If they clap hard enough, Peter promises, they will revive a dying Tinkerbelle. Too bad life doesn't imitate art! If it did, Canadians would be applauding till their hands went numb. Their fervent hope: that the economy would awaken from its prolonged narcoleptic slump.

The reduction in consumer confidence and the financial devastation associated with the tidal wave of unpaid 1980s debt are beginning to take their toll. Plant closures, business failures and bankruptcies, all marked by the trauma of job losses, dominate the news. As the business people in this room today will no doubt confirm, the economy has been one long luge ride the past two years.

Unfortunately, the quixotic attempts by North American political leaders to cheerlead the economy out of the recession, or the nostrums that appear in Professor Porter's recent wake-up call to Canadian business, hardly are encouraging signs for workers and families bearing the brunt of the current downturn.

Little wonder we are witnessing a growing stay-at-home syndrome — referred to by U.S. trend forecaster Faith Popcorn as “cocooning.” In her recent book, *The Faith Popcorn Report*, she explains that cocooning is about “reality retreat — the impulse to stay inside when it just gets too tough and scary outside.”

Canadian astronaut, Roberta Bondar, who seems to be endowed with enormous amounts of the “right stuff,” viewed Canada from the unique perspective of space. She described the country as a “crisp, shiny, bright jewel.”

Economically speaking, this jewel is tarnished and is in need of a buffing. What must be done? What steps must be taken to address the deep-seated problems of the economy? As a lay person, my own view is that a stringent prescription with an almost medicinal quality ought to appeal to a nation feeling guilty about its past profligacy. The worse the cod liver oil taste, the better it works!

Economists have not been able to develop a consensus on what they believe is an appropriate prescription for the ailing economy. To many observers, an inability to reach a consensus among economists is hardly a surprise. You know all the derisive things that have been said about economists:

George Bernard Shaw said that if all of the economists in the world were laid end-to-end they still would not reach a conclusion.

Harry Truman said that if all the economists were laid end-to-end they would still point in all directions.

And Stephen Leacock said that if they were laid end-to-end they would never meet.

Some people think that if all the economists were laid end-to-end it would simply be a good idea!

In the midst of a most uncertain economic period, The Empire Club is privileged to have Dian Cohen as its guest speaker today.

Dian’s professional career has been spent communicating. She talks and writes about business and the economy and the responsibilities of government and people in ensuring overall good performance. She does this both in public, face-to-face, or through electronic and print media, and in private, through seminars and workshops. Dian advises several government and private groups, and is a director of half a dozen corporations, including three represented at the head table today: Canadian Pacific, Noranda Forest and Royal Insurance.

The definition of an economist, as we know, is someone who is good with numbers but doesn’t have the personality to be an accountant! As an economic commentator who speaks plain English, Dian clearly challenges this myth. I am confident, during the course of her address today, she will effectively put this myth to rest.

Ladies and gentlemen, please welcome Dian Cohen.

Dian Cohen:

I appreciate the opportunity to speak to you, because I think each of us has an important role to play in making it in the new economy.

I'm going to be brief — and vulgar — because that's what I do best. First I'm going to spend a few minutes on exactly what this "new" economy is. I don't think we are making it now, at least not enough of us, but I think we can, and I want to suggest how. Twenty-five minutes may not be enough time to solve all our problems, but it's enough to point the direction, especially for a vulgarizer like me who's specialized in doing it in 45-second bites.

Let's start with a couple of headlines: Business Leaving. Investment Leaving the Country. Thousands of Jobs Disappearing.

Sounds like Ontario, right? But those headlines come straight out of the January 20 issue of *Der Spiegel*, the weekly German newsmagazine. The post war miracle, lately united into 70 million people — the one G-7 country that, on a per-capita basis, exports more than Canada.

I didn't have to pick Germany. I could as easily have picked Massachusetts, or Michigan, or California. In the last couple of years, California has lost about 330,000 jobs, about the same as Canada, which incidentally has about the same Gross Domestic Product.

So, first, welcome to the new global economy. What's happening is not happening just in Canada, although if you stick only to Canadian media, you are forgiven for thinking Canada's problems are unique.

The new economy's a lot bigger than the old one. Your customer's no longer in the neighbourhood or around the corner — she's over the horizon and in another country. Same thing with your competition.

These changes have been coming for a long time. Seers like Peter Drucker and Alvin Toffler have been telling us

about them for more than a decade. In the '80s, when they and others began their popular works, they foretold of one global economy based on information, in which national economies would be irrelevant for purposes of making decisions.

National output would be a function of global product strategy. Where employment growth would be unhitched from economic growth. New technologies would allow us to increase output without necessarily increasing the demand for labour.

They talked about the same thing happening in natural resources, decoupled from economic growth. Because of new materials, and different ways of using standard materials, we could have more output without more natural resource consumption. And they talked about a new finance economy in which money values would bear only a distant relationship to the world of material things.

We read and listened to all those predictions, but somehow we didn't respond to them. It doesn't much matter now whether we didn't quite believe them, or believed our leaders more when they said they'd look after us. The fact is that today, all the things that were predicted in the '80s are now mostly here. And with them, some surprises. I think if you understand the surprises, you'll also understand why, at least in this one respect, I absolutely agree with Premier Bob's pronouncement a few weeks ago that "business as usual" is gone forever.

First, it may surprise you to hear this, but there's no global recession. Globally, output is increasing. Europe's biggest economies are growing; so are East Asia's. Quarterly data are bouncing along the bottom in the U.S., U.K., and Canada. But that's the point — they're bouncing along the bottom, not falling through the floor. The annual cyclical data show that the decline is giving way to renewed growth. But you don't have to be a rocket scientist to know that if this is recovery, it's not much different from recession.

Let's just take corporate profits for a moment. If there really is a recovery, how come corporate profits aren't rising? Well here's another surprise: competition works. A global economy means more competition for national firms. Recovery means more competition from new entrants, adding pressure to corporate profits which have been falling in Canada for a decade anyway.

And if we look at the competition, we can see that much of it is trade related. The Big Three car companies are hurting, because now there's more than just three. There's Honda and Toyota and the rest.

Retailers are hurting as the whole retail sector restructures to include cross-border holdings and to eliminate the Canadian middleman. Transportation is hurting as traffic shifts from east-west to north-south.

The oil patch is groaning because cheaper products are available elsewhere.

Of course, competition itself isn't new. What's new is its scale and intensity. As Joe Clark said in Halifax the other week, the global village is one tough neighbourhood.

But globalization, and the adjustments it entails, has some other elements. I'm talking about the long-term shifts that are making our "basic" industries a lot less basic. The things we measure in our economy, based on its output, reflect an industrial economy based on cars, housing, furniture and key commodities. Not an information economy based on knowledge and its discovery, development and utilization.

The truth is, Canada's traditional industries aren't as important as they once were. The problem here is that too many of us have clung to the illusions of past glory. The fact is that there's a global shakeout going on, and what's being shook out is most of what Canada's good at doing.

The corollary is that while about half of our output is no longer wanted by the rest of the world, we're not excellent at making what the world wants.

One way to look at all this is to say this seems to be a recovery without a driver, so a little more stimulus will be

just what the doctor ordered. I don't think so. In fact, since I'm so convinced that we are shifting to a whole new economy, I think traditional policy is constraining the transition instead of driving it forward.

Economists are just beginning to understand that the product cycle has succeeded the business cycle as the main determinant of economic results. If you make something the world wants, you will prosper. If you don't, you won't. That's both a problem and a challenge for Canada.

From sea to sea, Canada has for most of its history been about natural resources — staple commodities destined for imperial markets. As a nation, we're not great transformers of raw input into finished products. Rather we're great transformers of harsh landscape into mines, commercial timber operations, oil and gas wells and pipelines — sagas stored in the soul of every Canadian. And, as Michael Porter's recent review of the Canadian economy shows, our export dependence on resources is actually growing while exports in other sectors decline.

And there's more disturbing news. Over the last 10 years, our appetite for the international products of others is growing half again as fast as others' appetite for ours. Our merchandise trade growth is increasing more slowly than the economy as a whole. Over the same 10 years, total economic growth outpaced trade growth almost two to one. If the goods producing sectors were successfully internationalizing, merchandise exports would outpace national growth.

On the investment side, too, something similar is happening. Canada's stock of foreign investment is increasing and diversifying. But in relation to the economy as a whole, foreign direct investment — that's what economists call investment in productive facilities — is staying relatively flat, especially in real terms.

Foreign-owned companies are reinvesting profits in Canada. But stocks of foreign investment are increasing faster in the U.S., which means the U.S. is modernizing faster than we are. Just to give you the numbers, the stock of foreign

investment in the U.S. has been growing 50-per-cent faster than that of Canada's over the past decade.

Putting all this together, it seems that in a world that is internationalizing, the Canadian economy is almost going the other way. That while our major trading partners are getting relatively better at international business, we are getting relatively worse.

Let's put the question directly: Is Canada suffering from the condition Pogo once described as "confronted by insurmountable opportunities?"

Just about everything we do economically reflects our complacency that our resource-based economy will always continue. For example, our income maintenance programs are designed to park people outside the labour force. We actually pay people to stand around idle until whatever they did before becomes desirable again and they can go back to work. We don't actively promote adjustment. If we'd had these programs in place a century ago, we'd still have a surplus of tall ships captains.

Our major credit granting institutions are big enough to be a barrier to small and medium sized companies seeking access to global capital markets. But not flexible enough or innovative enough to provide adequate financing to new business at home.

Banks and other Canadian leaders don't understand knowledge-based business. This is not mere risk aversion. On the contrary, banks are tolerant of the not inconsiderable risks in resource exploitation and commercial real estate. So it's culture, not economics, causing problems here.

Our education programs provide an adequate supply of lawyers, accountants, geologists, and, of course, economists. These are the people Canadian business employs. We export engineers and scientists, medical researchers, etc.

As for skilled industrial trades, forget it. If immigration doesn't provide them, we'll do without. We certainly won't bother producing them here. Hey, why shouldn't most optical and precision machinery come from Germany or Austria?

As for our automotive industry, it's based on assembling things conceived elsewhere. And it's at a crossroads, facing an uncertain future, whether or not we bring Mexico into a NAFTA (North American Free Trade Agreement).

In practical terms, we're doing more to protect our "cherished illusions" than moving ahead to meet the future.

Nevertheless, there is some reason for cautious optimism. Many of us have been responding to market signals and the economy is transforming itself from resource dependency to knowledge based.

For instance, as *Canadian Business* magazine recently pointed out: (Quoting the work of Toronto-based consultant Nuala Beck)

More Canadians are now employed in our electronics industry than our pulp and paper industry.

More Canadians are now employed in our communications and telecommunications industry than our mining and petroleum industries combined.

Regionally, too, some major adjustments have already taken place:

More Quebecers work in health and medical care than in construction, textile, clothing, furniture and mining industries combined.

More Albertans work in financial services than in oil and gas.

More people in B.C. work in communications and telecommunications than the whole forest industries.

More Nova Scotians work as teachers and professors than as fish processors, miners, forestry workers, pulp and paper and construction workers combined.

Other signs of the redirection of Canada's economic efforts show up when you look at different sectors: restruc-

turing of retail businesses to include cross-border holdings in the U.S. and the elimination of Canadian middlemen.

Trouble is: Canada still isn't internationally competitive in these new sectors the way it was (and still is) in its natural resource sectors.

These new knowledge-based industries are soaking up much of our labour force — but they need to grow faster and bigger if they're going to generate the exports we need to replace the exports we are losing. They need to develop global strategies and a network of profitable overseas affiliates and alliance partners.

It's instructive to compare our restructuring with that of the U.S. For in the U.S., the advanced industries are not only major employers, they're also the major revenue generators in the economy.

In the U.S., computers and electronics are now bigger businesses in terms of sales than automotive — in fact the new cars use a lot of computing power, so there's some hidden factors that inflate the automotive proportion.

Medical expenditures are bigger than housing (non-farm) expenditures. Medical spending links back deep into the high-tech sector.

People spend twice as much on the phone as they do on the airlines, and we wonder why the airlines are having trouble finding passengers.

The top four computer companies outsold the top four companies in such sectors as food, beverages, industrial and farm equipment and forest products.

The point is that 20 years ago, those new businesses — computers, technologically sophisticated medical establishments, a wide range of phone services — barely existed. Now they are among the biggest and fastest growing, and driving the shape of companies as well as determining the kinds of inputs the economy will be using in the future.

Canada is matching these shifts, but much too slowly. The consequences for us, if we can't make these sectors more productive, include continued disappointment on our trade

accounts and a declining living standard. Indications are this is happening. OECD estimates for this year include a current account deficit of about three per cent of GDP, nearly three times worse than that of the U.S.

So, as Will Rogers was fond of saying: "Even if you're on the right track, you'll get run over if you just sit there."

What's holding us back from moving faster? Basically, I think Canada's held back by a rather large cherished illusion. (A cherished illusion is one that is held even more firmly when we know it is contrary to fact because we find it comforting.) The illusion is that you can deal with challenge by just saying No. In too many powerful places in our society we have evolved a Canadian culture that is a culture of refusal.

Our discouraged and tentative embrace of globalization is one example of this. In fact, globalization is a tremendous opportunity for every region of Canada. But lukewarm is as enthusiastic as our policy makers can get.

Perhaps nowhere is the operation of this culture of refusal so apparent as in the current obsession of our national elites with the constitution. The expectation of justice is fundamentally what binds the citizen to the state. Break that and you kill any basis for the exercise of political power except force. The system quickly deteriorates: the best will not seek office. You will have tyranny in fact, if not in name. Rights in law that are not available in practice might as well not exist, of which we used to have the East Bloc to remind us.

This theme goes deeper than simple redress of individual grievances to what Canada is all about as a country. As some Quebec writers have pointed out from the beginning, a project such as a nation has to go beyond simply maximizing individual wealth and individual possibilities. It needs a moral basis before it can enlist the collective efforts of its citizens.

In the constitutional debate, our obsession with the arithmetic of equalization and the vocabulary of "distinctness" has obscured the importance of this moral dimension, the dimension of justice. For in my mind — and I suspect for many other Canadians, too — the point of the constitutional

debate is not just to have a deal. It is to put in place an arrangement which Canadians will feel merits a commitment.

One cannot build a country just by expanding the space available to a “culture of refusal,” of spiritual emigration.

Nor can you substitute national programs, like the CBC and health insurance, for commitment. Baby boomers may not remember, but there was a Canada before universally accessible health care. Indeed, the programs emerge from the shared commitment of Canadians to each other, not the reverse.

What I’m getting at is this: My reading of Canadian history and of federalism in general tells me that federalism is a morally superior form of government to that of the unitary state. It empowers regions to be distinctive. It creates an extra dimension of political freedom not available in a unitary state.

The moral superiority of federalism is not a perspective that receives a powerful echo in Ottawa’s federalist pronouncements. Yet it is one case to which the autonomists of every stripe — from western regionalist, to native peoples to Quebecers — have no good answer.

Similarly with the global economy. This is something that promises every country fresh opportunities to display its special genius to the rest of the people on the only life-supporting planet we know about. The new global economy is designed for people who think big and act boldly — and plan carefully to survive in an unforgiving environment. Come to think of it, what could be more Canadian than that?

So here are some suggestions to help us move faster. What I think is required is that business “privatize” Canada’s process of adjustment to global competitiveness. A privatized adjustment process might look something like this:

- Greater business involvement with education, to ensure that high school graduates are literate.
- Greater business involvement with labour adjustment process: why not generalize what Northern Telecom

did a few months ago, namely guarantee a first job to those who graduate with certain qualifications.

- Greater business involvement with technology diffusion, universities and government labs. So that continuous learning can be built into every employee's performance requirements.
- Greater business involvement with municipal poverty programs and food banks. Logistical support, management support, participation in work sharing programs, etc.

And, in return for taking some of the social program burden, greater management freedom, including the right to fail and an easing of the tax burden, say an end to the income tax surtax and a lower GST.

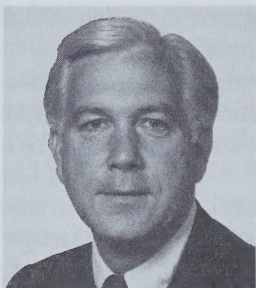
In a word, involvement that speaks to concerns for the society that generates customers and employees, involvement that also generates some immediate visible benefits. I suggest that some such program is within the capacity of every major Canadian company.

Without suggesting any particular program, I am suggesting that business has the power to alter the pattern of incentives that now block the "perestroika" Canada so badly needs.

Most of all we need to change our attitudes about how the world works. That's the hardest part, but a lot of us have already done it. All we need is a few million more. I hope I can count on you.

Thank you.

The appreciation of the meeting was expressed by Diana Chant, Partner, Price Waterhouse, and Treasurer, The Empire Club of Canada.



February 13, 1992

James G. O'Connor

President and CEO, Ford Motor Company of Canada

THE AUTO INDUSTRY: STRUCTURING FOR SURVIVAL IN THE GLOBAL MARKET OF THE '90S

Introduction: John F. Bankes

President, The Empire Club of Canada

I dreamed I was an angel
And with the angels soared,
But I was simply touring
The heavens in a Ford

New York Evening Sun (1926)

In the days when clipper ships raced across the oceans, the purpose of trade was as clear as the ships were beautiful. They sailed to Japan (or China, or Australia) loaded with something that Britain had and the Japanese wanted, and returned with tea, silk or wool. These merchants did not bargain or negotiate the way U.S. President George Bush did in Japan earlier this year: We buy your cars so you should buy ours. Silk for silk, the Japanese would argue, is not a very worthwhile trade!

According to media reports, a very messy, but nevertheless essential, summit between Japanese and American leaders was reduced to a sumo-wrestling match over cars and car parts!

Personal diplomacy may be one of George Bush's great strengths as President; car salesmanship is not!

Japan practises what Peter Drucker calls "adversarial trade." That is, it does not import the same sorts of goods as it exports. However, if I remember correctly the first principles of economics, the point of international trade is to allow a national economy to specialize in what it does best. This is what David Ricardo, the 19th century British economist, meant when he coined the term "comparative advantage."

Arguably, the end of the Cold War and the collapse of the Soviet Union presents an opportunity to create a world of open markets among democratic governments that abide by a more-or-less transparent set of trading rules — perhaps for the first time since Sarajevo in 1914.

With the fall of communism, the international threat that most worries North Americans is no longer nuclear warfare but something far more subtle. Their principal concern is an erosion of living standards, as North American industries lag in the global competition with foreign rivals, especially Japan. And these concerns are magnified by recent announcements from pillars of corporate North America, like General Motors, that they are cutting thousands of workers and permanently shrinking.

Unfortunately, Japan bashing — led by a protectionist chorus of leaders who call themselves "fair traders" — has suddenly become a frenzy. Prolonged sluggishness in the Canadian and U.S. economies, the upward creep of unemployment and a run of huge layoffs has made North Americans very job-conscious. Every Japanese car sold here, even if it's made in Ohio, has come to symbolize fewer North American jobs.

The Japanese and other foreign automobile manufacturers have cut significantly into the market share of the Big Three. I am reminded of a famous cartoon by Larson. The Indians were attacking with fire-arrows and the wagon-train defender asks: "Can they do that?" The Japanese can invade the turf of the Big Three. They did!

Increasingly, auto industry analysts are asking tough questions of the Big Three. Despite considerable improvements during the past decade, can the Big Three consistently turn out cars as appealing — in cost, quality and technology — as the Japanese? Is Detroit wed to the mass manufacturing methods of Henry Ford and the mass marketing methods of Alfred Sloan, which the Japanese have left behind? Does Japan have a comparative advantage in making cars? Do the Big Three truly understand that production is not simply the application of tools to materials; in the words of

Peter Drucker, it is "the application of logic to work." In an industry facing a North American over-capacity of almost three million units, what steps can be taken to reduce this capacity? And finally, with Canada's share of North American auto production at an historic high of 18 per cent, can steps be taken to shield this country from the pending storm?

These questions (and others) expose the raw nerves of a continent in profound economic distress, of a people with declining faith in themselves, their leaders and their past, a people very uneasy about their future. These questions are of great consequence in the debate about North America's condition at the end of — what has been called — the North American Century. As John F. Kennedy once said: "Change is the law of life, and those who look only to the past and present are certain to miss the future."

The Empire Club's guest today, James G. O'Connor, the President and CEO of Ford Motor Company of Canada, accepted his latest post at a time when the issue of restructuring was becoming the top priority in boardrooms and factory floors across the continent.

Mr. O'Connor's 26-year career with Ford Motor Company has included senior sales and marketing positions in both the U.S. and Canada. He has been President and CEO of the Canadian affiliate since October 1, 1990. Interestingly, Mr. O'Connor is the first American to head the Canadian subsidiary since Edsel Ford held the job in 1929.

Perhaps the best way to wrap up the introduction of the President of Ford during a time of restructuring is by quoting the company's founder: "The only history that is worth a tinker's damn is the history we make today."

To explain how history is being made today in the auto industry, I am delighted to introduce James G. O'Connor. Please give him a warm welcome.

James G. O'Connor:

I'm honoured by your kind invitation to speak to you on the state of the automobile industry. It was well timed for several reasons. First, the Toronto International Auto Show opened today at the convention centre and Skydome.

So far this year I've attended the Montreal, Vancouver and Ottawa auto shows. I'm pleased to report that attendance is up considerably over last year. Customers still seem to have a love affair with their car or truck.

In my job, I have very few bosses but I'm extremely pleased that one of them is with me at the head table today — my fellow Ford of Canada board member Roy Bennett. Roy was also president of Ford of Canada from 1970 to 1981 and is widely recognized as a leading Canadian business leader.

I'm honoured also by the presence of our dealers, both at the head table and in the audience. Scott Vickers, chairman of the Metro Toronto Ford Dealers Association, is a real student of the business and a second generation dealer. And I'm sure you all know that the head of the Mercury dealer group, Al Palladini, is a 'pal of mine.' I will come back to the importance of the dealer organization in the automobile industry of the '90s later in my remarks.

Another reason why it is appropriate for someone from Ford to be invited as your speaker is that The Empire Club and Ford Motor Company share the same birthday year — 1903. Together we have shared a long and rich history in Canada.

And speaking of history, you already know that I'm the first American president of Ford of Canada since Edsel Ford, son of Henry Ford, in 1929. What you may not know is that 60 years later, Henry Ford's great grandson, Edsel Ford II, succeeded me in a position I held in Ford U.S. before returning to Canada.

It's rumoured, however, that Edsel has more long-term potential in the company than me.

You may also be interested to know that in the global village of today's automobile industry, a man who was born in England and grew up in Scotland runs Ford's North American Automotive Operations; a Canadian from Barrie is in charge of all Ford plants in Australia; and an American who once worked at Ford of Canada heads up our European operations.

Also, two Canadian executives I worked with while I was here from 1984 to 1986 are further examples of the opportunities available in our globalized industry. One is executive vice

president of Ford Motor Credit Company in the U.S.; the other is director of marketing at Ford of Britain.

So you can see it's not really that unusual that I'm now back at Ford of Canada.

In a sense, Ford's globalization began when Ford of Canada was founded just 14 months after Mr. Ford established the U.S. company — the year, 1904.

Today, the Ford oval is a familiar sight in more than 200 countries and territories around the world, and the makeup of Ford's worldwide management team represents a rich diversity of nationalities and cultures.

To come back to the reasons for the excellent timing of my appearance today, I want to tell you that the sky is not falling on our industry. Yes, there has been a lot of bad news lately — now I'm not blaming the media — but I feel strongly we need to put some things in perspective.

Some positive things are happening right here in Ontario.

For example, have you driven past Ford's Oakville complex lately? In what was once an open area between our two plants and our central office building lies an 800,000-square-foot building. It's a \$439-million high-technology building that will begin state-of-the-art painting of cars this May. In time, it could also lead to additional investment for new products at that plant.

And if you drive along Highway 401 to St. Thomas you'll see a plant where \$300 million worth of retooling, modernization and automation was completed last year to produce a new generation of family sedans, the Ford Crown Victoria and Mercury Grand Marquis.

Also, since you're already that far, you might as well continue down the 401 to Windsor where work is under way on a new aluminum-casting plant that will utilize new technologies to produce components for Ford engines in the 1993 model year.

These projects combined will cost \$1 billion.

I mention them not to give you a commercial about Ford, but to tell you, more important, that the sky has not fallen on

Ford of Canada's plans to invest in plants and products that will ensure our competitiveness in the '90s.

Now, let's talk about automobile sales in Canada. How bad have they really been? I'm often asked: How does this recession compare with the recession of the early '80s? In 1982 total car and truck sales by all companies fell to a low of 918,000 before climbing to a record 1,538,000 in 1988.

Well, in the current recession, the low point was 1,285,000 vehicle sales in the year just ended — 367,000 more vehicles in 1991 than in 1982, or 40 per cent more vehicle sales. So the sky has not exactly fallen on sales, either.

In fact, in the last three months of 1991 — and that's the first quarter of the 1992 model year — Ford of Canada's car and truck sales were up six and two per cent, respectively, from the same period in 1990. In January, when you exclude the distortions caused by the GST factor, our sales were up by eight per cent.

Perhaps the most significant good news I could share with you today deals with one of the real hard indicators of our business. In the first quarter of 1991, Ford's assembly plants across North America experienced a total of 93 down weeks as a result of declining dealer orders and customer demand. In the first quarter of this year, we're projecting about 54 down weeks.

That means that Ford's car and truck production will be 57 per cent higher compared with the first quarter of '91. What that tells us is that dealers are seeing more showroom traffic and they're ordering more vehicles for the spring and summer market.

For 1992, we're looking for industry car and truck sales to increase by at least five per cent over 1991 and go as high as 1.4 million — most of it coming in the second half. Beyond this year, we can see a return to record volume levels in the 1.5 million range by mid-1993 or 1994.

As you've probably guessed by now, most people in the automobile business are optimists. We love this business —

you might say we have gasoline in our veins. We always tend to see the glass as being half full, rather than half empty.

But in order to temper my enthusiasm with the reality of our times, I asked the economic experts at Ford to give me their latest forecast. They sent me a note asking: "For what day?"

The crystal ball we use at Ford of Canada has to also cover the U.S. More than 80 per cent of Canadian production is exported to the U.S. market, so the health of our bottom line depends even more on the rate of recovery in that country.

While there is continued softness in U.S. vehicle sales, the outlook there is also for gradual improvement as 1992 progresses, and, importantly, as the U.S. presidential election draws closer.

It will be interesting to see how the economic stimulants contained in Mr. Bush's State of the Union message impact on the economy, and who the Democrats throw against him.

In both the U.S. and Canada, declining interest rates and much stronger stock markets than six months ago should be pointing the way to a slow, but sustainable recovery.

Housing starts are considered an important source of economic stimulus for post-recession recovery. In the fourth quarter of 1991 — three quarters after the economy appears to have bottomed — housing starts are up 88 per cent.

This is a much stronger recovery than after the recession of 1980-82 when housing starts were up four per cent. The missing ingredient, to this point, is a strong dose of consumer confidence.

However, I for one believe it will start to improve as people realize that interest rates aren't going to get much lower, and that consumer incentives on big ticket items — particularly cars and trucks — won't last forever at their current extravagant levels.

But even when all these things come to pass, we are under no illusions that it will be business as usual in the months and years ahead.

For some time now, the global auto industry has been undergoing a massive structural change that has been redefining the cost of doing business, and the standards required to compete successfully in the 21st century.

As the decade unfolds, automotive companies and their suppliers are aligning their resources for a decisive confrontation in the world's major markets. You simply can't compete today unless you're a player, and a major player, in North America, Europe, Asia-Pacific, and Latin America.

Any company that hopes to survive will have to be outstanding by tomorrow's standards — just being good will not make the cut.

There's general agreement that we're now in a 'no excuses' era. It's an era that places a premium on efficiency and performance — an era when the only verdict that really counts comes from the customer.

Canada will not be sheltered from the coming competitive storm.

In his study of Canada's competitiveness, Harvard Professor Michael Porter warned of, and I quote: "unprecedented challenges to its future economic viability and prosperity," and he noted that "the comfortable old order is disintegrating."

The old order changed for the automobile industry when the Canada-U.S. Autopact of 1965 created a virtual free market in automobile production in the two countries. By competing successfully, Canada became the world's seventh largest motor vehicle producing nation.

Today, Canada has 15 per cent of North American employment and vehicle production, while accounting for only nine per cent of North American vehicle sales. It has been a good deal for Canada.

However, you should know that cars built overseas and shipped to our shores contribute precious little to the Canadian economy. Even those foreign cars assembled here — with their significantly lower levels of North American con-

tent compared with the domestic producers — displace more Canadian jobs than they create.

The stakes have never been higher.

Particularly vulnerable is Canada's \$14-billion-a-year parts industry, whose employment has fallen to 66,000 from 82,000 in 1989. To protect those jobs, the Federal Government should require foreign companies wishing to take advantage of the Canada-U.S. Free Trade Agreement to meet a higher level of North American content — 70 per cent instead of the 50 per cent now required. Incidentally, that would still leave them well behind the 90-per-cent North American content achieved by the domestic producers.

But, as free enterprisers, we should not rely on government to come to the rescue.

As automobile companies and parts suppliers, we have to compete for business with the best in the world by continuing to improve quality, by continuing to improve efficiency, and by continuing to work closely with organized labour and government to forge a new relationship that recognizes the perils, and opportunities, of the new global marketplace.

At Ford, we made quality a top priority and continuous improvement the watchword of all that we do. We've redesigned our cars and trucks to meet the demands of an increasingly sophisticated consumer. We've rebuilt and retooled our plants. We've improved productivity. We've modified our corporate cultures and we've marshalled our technological resources to improve our products, our processes, and our performance worldwide.

In short, we've restructured our businesses from top to bottom, changing the way we engineer, manufacture, sell and service our cars and trucks. We've re-thought and revised the way we deal with our suppliers, our dealers, our employees, and, above all, our customers.

Revolutions cost a lot of money.

At Ford, we've invested more than \$40 billion in new plants and products over the past 10 years. That's more than

we invested over the entire previous 78-year history of the company.

In Canada alone, since 1981, we put \$2.5 billion into new, expanded or modernized plants to produce a new generation of Ford cars and trucks. In the 16 months since I returned to Canada in my present capacity, we have undertaken the additional \$1-billion investment at our Canadian plants that I mentioned earlier. At least one of these projects — the new high-tech aluminum-casting plant in Windsor, Ontario — came to Canada in competition with locations in the U.S. and Mexico.

The quality of our work force at Windsor, where all of our existing plants have won the coveted Q1 Quality Award, and the willingness of the CAW to work out a new agreement that improved efficiency were key factors in the pro-Canada decision.

We will be opening a state-of-the-art, 800,000-square-foot clearcoat paint facility at our Oakville plant in May this year and the new Windsor plant in 1993.

But today's investments represent just a beginning, because we intend to maintain a substantially more aggressive product development program, and shorten the time it takes to get new products to the market — from 51 to 37 months.

In fact, between the start of the 1991 model year and the end of 1995, we will have redesigned or replaced virtually every car and truck in our Canadian dealerships, and replaced, redesigned, or improved almost all of our power-trains.

So anyone who suggests that Ford isn't meeting the challenges of foreign competition and an increasingly sophisticated customer is simply not taking account of the facts.

In the '90s, Ford of Canada will continue to focus on the basics of our business — a formula that produced our success stories of the '80s.

It starts with product.

Take the Ford Explorer — the ‘in’ vehicle in Toronto — the compact utility vehicle that quickly overtook the traditional leader in its segment, posting a 95-per-cent sales increase right here in Ontario. And guess what? There were no incentives on the Explorer, and it wasn’t even built in Japan. In fact, Ford builds a version of it for a Japanese company to sell in the U.S. It’s called the Navajo and sold by Mazda.

At the Toronto auto show, you’ll see our new 1993 Villager, a front-wheel-drive minivan that will go into production in April. Ford will also build a version for Nissan, which designed and engineered the vehicle.

Quality is another basic of our business — and there must be a message there about our quality. Both Nissan and Mazda are getting trucks from Ford plants.

Another ingredient for success is to control costs and optimize efficiency so that, in the end, the customer receives the best ‘value-for-the-money’ in products and services. Affordability is critical in a market where fewer customers have more choices.

At Ford of Canada, we have improved the efficiency of our salaried work force by 15 per cent during 1990 and 1991, and will improve it by another five per cent in 1992, without layoffs.

However, none of these ingredients — innovative and appealing products, customer-satisfying quality, and affordable prices — would ensure our success without the dedicated, competent, and customer-driven men and women who operate our dealerships.

As I mentioned earlier, I am honoured by the presence today of so many Ford and Lincoln-Mercury dealers from the Toronto area. It was a tough market in ’91, so with your indulgence, I want to say thank you to all of them and their staffs.

Our dealers are the face of Ford of Canada in their communities. As they are perceived, so is the company. They are also significant contributors to the economic health of their markets.

In Metro Toronto, for example, 25 Ford and Lincoln-Mercury dealers employ 1,800 men and women and generate annual payrolls totalling nearly \$70 million.

We live in a golden age of consumerism. Competent, and courteous service gets you into the bleachers — the minimum price of admission. The box seats are reserved for those businesses that employ a high touch and high-tech approach to customer service.

At Ford, in the last few years, we've added a lot of electronic content to our cars. Therefore, to support the servicing of these units, we have taken a giant leap forward in automotive service.

All of our Metro Toronto dealers will soon be using a revolutionary new computer system that allows a vehicle to tell a service computer what's wrong with it and instructs the service technician how to correct the problem. Known as the Service Bay Diagnostic System, the system hooks up to a vehicle's on-board computers to use direct vehicle computer information as a basis for diagnosis. The SBDS then locates the source of any problem and serves up the appropriate menu of schematic graphics and repair procedures for the technician.

In the six-month period in which SBDS was being piloted at U.S. and Canadian dealerships, there was not a single repeat repair among the first 34,000 vehicles serviced with this equipment. I think it's safe to say that it will change the automobile service business forever.

When I came to this job, I developed a very focused, long-term agenda and my approach was to concentrate on the customer by providing our dealerships — our frontline sales and service team — the support required to succeed in the consumer-dominated '90s.

As I mentioned earlier, this last decade of the 20th century promises to be the most challenging era since Ford of Canada was established by a group of young Canadian entrepreneurs in 1904. That historic event marked the start of the Canadian automobile industry.

Gordon McGregor, the 31-year-old founder, and his 17 employees had an immediate lesson in competitiveness long before it became the buzzword for businessmen, politicians and editorial writers. They struggled to survive.

At one point in those early days, McGregor tried to talk a business associate into buying four per cent of the outstanding stock for \$5,000. He refused, saying he wasn't going to risk his money in some fly-by-night venture. He bought three houses instead.

The last I figured it out, four per cent of Ford of Canada stock would be worth \$45 million today, give or take a million, and I couldn't begin to calculate how many hundreds of thousands of dollars in dividends would have been paid since then. Even in Rosedale, where I live, three houses couldn't have appreciated that much.

It was a classic case of missed opportunity.

Today, as we emerge from the shadow of some tough times, we too have an opportunity. To simply batten down the hatches and weather the storm would be like buying three houses — playing it safe — rather than investing in the future.

Instead, we should rise to the challenges of the new world economic order by sharpening our competitive skills, by rejuvenating our entrepreneurial spirit, and by creating a new alliance between labour, business and government.

As we go through the '90s, I am confident that consumers are poised to go on a buying spree. I am equally confident that most of them will buy only from those companies that have a passion for excellence in the products and services they provide.

Ford of Canada and its 14,000 men and women intend to be one of them.

Thank you.

The appreciation of the meeting was expressed by Harry Seymour, President and CEO, Pathfinder Learning Systems Corporation, and a Past President, The Empire Club of Canada.



February 17, 1992

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

Peter D. A. Sutch

Deputy Chairman, Managing Director, Cathay Pacific Airways and Chairman-Designate, John Swire & Sons Ltd.

HONG KONG: MYTHS AND REALITIES

Introduction: John F. Bankes

President, The Empire Club of Canada

The Canadian and Empire Clubs are privileged to have Peter Sutch, Chairman-Designate of John Swire & Sons, address our members and guests today. He will be speaking to us on the subject of Hong Kong: Myths and Realities.

This century has lived through two great political distortions: fascism and communism. When the red flag came down over the Kremlin last December, the twentieth century had beaten them both. And mankind's hope for a freer and richer future had become that much brighter.

The political developments in Eastern Europe have, in a way, left China as an ideologically isolated island. However, as July 1997 approaches, the almost six million residents of Hong Kong are increasingly aware that the future of their colony is tied to the policies of China and, ultimately, the implementation of the Sino-British Agreement signed in December 1984 under which Hong Kong becomes a Special Administrative Region of China. As T. L. Tsim stated in a recent article in *The New York Times*: "The destiny of

Hong Kong is now the same as the destiny of China. There is no escaping."

Confidence in the 1984 agreement has, from time-to-time, been severely shaken. Consider the horror of events in Beijing and other parts of China in June 1989. The frenzy of fear that followed the massacre at Tienanmen Square resulted in visa applications at the Canadian Commission office in Hong Kong reaching 9,000 a day.

Hong Kong, known as "a borrowed place, living on borrowed time," is a rocky mountaintop bereft of natural resources. Although the British Territory has been described as a "barren rock" or "sterile pile of granite," Hong Kong residents believe in the fundamental principle that the correct alignment of the forces of nature govern all aspects of life.

Most people believe that the long-term future of Hong Kong lies in its continuing economic success as an international centre of trade, finance and business. Confidence may fluctuate. But the underlying strength and attraction will always be the business opportunities that Hong Kong's geographical location, its business infrastructure, and its hard-working and enterprising population help to create. So long as these attributes exist, one can be optimistic about the future.

It's hard to think of a North American city that has closer links with Hong Kong than Toronto. The population of the Chinese community in this city is approaching 400,000 — a number which surpasses New York, for many years the largest Chinese community in North America.

York University and the University of Toronto are the North American post-secondary institutions of choice for thousands of Hong Kong residents. In fact, the Hong Kong chapter of the University of Toronto Alumni Association has a larger active membership than the Toronto chapter!

And, the social and cultural links between Hong Kong and Toronto are matched by commercial and financial connections. The annual dollar volumes of trade and investment capital are impressive.

If it's true, as Rudyard Kipling said, that in Hong Kong East meets West, then in Toronto they renew acquaintances!

On September 30 of this year, the Hong Kong Government is launching in Toronto a multi-faceted business, cultural and educational festival under the theme, Hong Kong and Canada — Bridge Across the Pacific. The festival is the largest promotion ever undertaken by the Hong Kong Government. From Toronto, it will travel to Montreal, Calgary, Ottawa and Vancouver.

But even with our close ties, how well do Torontonians really know Hong Kong? Peter Sutch is to address this combined meeting of the Canadian and Empire Clubs today on the subject of Hong Kong and will dispel some of the myths surrounding the British Territory.

Peter joined the Swire Group in September 1966. The interests of the Swire Group, of which Cathay Pacific Airways is part, include transport, shipping, trade, manufacturing, warehousing, engineering, property investment and development, and insurance on a worldwide basis. Peter became Managing Director of Cathay Pacific on January 1, 1984, and Deputy Chairman and Managing Director on June 1, 1988. We have recently been advised that Peter will be the new Chairman of John Swire & Sons effective June 1 of this year.

It is perhaps unfair to single out one facet of the Swire Group's global business interests. However, the success of Cathay Pacific Airways, in an era when airlines are hemorrhaging, is quite remarkable and stands in sharp contrast with the experiences of most North American air carriers.

Cathay Pacific prospers as Hong Kong's airline by continually exhibiting the same attributes that have made the Territory itself successful — efficiency, enterprise, sophistication and a commitment to quality. Peter, your airline has come a long way since 1946 when *Betsy* and *Nikki*, two reconditioned war surplus DC-3s, started operating passenger and cargo charter flights around Southeast Asia.

As many of you know, last week heralded the beginning of the Chinese Year of the Monkey. According to the soothsayer, the lunar New Year will see success in bold ventures and new inventions. And, of particular interest to our business audience today, the agile Monkey will put an end to recession and its shrewdness will generate a business boom!

Our guest, Peter Sutch, has a unique window on Hong Kong and Asia. It is an honour to have him share the view with us. Ladies and gentlemen, please welcome Peter Sutch.

Peter Sutch:

Ladies and gentlemen, it is indeed a pleasure to be able to address both The Empire Club of Canada and the Canadian Club at a single gathering. Having seen the list of distinguished speakers to which your associations have played host, I am all too aware of the high standards to which guests

are expected to rise. I hope, on this occasion, that my theme will be sufficient to hold your interest. I intend to talk partly about Cathay Pacific Airways, of which I have the honour to be Chief Executive, but primarily about Hong Kong at this critical, and extraordinarily interesting, point in its history.

Hong Kong and its people are growing accustomed to being watched by the eyes of the world. Interest and understanding, however, are not always the same, and I would like, this afternoon, to try to dispel some common misconceptions. I will also attempt to give you some idea of the economic and political realities which I believe are already shaping Hong Kong's future.

I know that Canada takes a close interest in the affairs of Hong Kong, not least because of the considerable number of expatriates from the Territory who have chosen to study or settle here — in some cases both. You will have heard a good deal about Hong Kong's "brain drain," and that is one subject I intend to consider this afternoon. Let me begin, however, with a general overview of the Territory's present position as I see it.

Hong Kong is now undergoing a period of dramatic transition. Its economic success — it is in its own right the world's 11th largest trading economy — has been nurtured by a British colonial government. The administration has been consistently pro business while remaining strictly non interventionist in its dealings with the private sector. Government has systematically developed the infrastructure to keep pace with changing needs, while entrepreneurs have built up the economy.

In 1997 that administration will change. Hong Kong will cease to be a British colony and will be redesignated as a special administrative region of The People's Republic of China.

Forgive me if this information is old hat to you. But it is, I think, important to be clear about exactly what 1997 means. Hong Kong is not, like most of Britain's former colonies at the same stage, being granted independence. It is preparing to undergo a change of sovereign power. This transfer takes

place under terms negotiated between Britain and China which are outlined in the 1984 Sino-British Joint Declaration on the question of Hong Kong.

The blueprint for the special administrative region's future development is laid down in the basic law, which embodies the Chinese Government's undertaking to preserve Hong Kong's way of life and doing business more or less as it is for at least 50 years after the handover date. The oft-quoted formula for this is "one country, two systems."

Let me say immediately that I, Cathay Pacific and the Swire Group, firmly believe in Hong Kong's future up to and beyond 1997. But I also believe that that future is dependent on the Territory establishing a workable *modus vivendi* with China which recognizes both political and economic realities.

The political reality is that in five years China will become Hong Kong's sovereign power. The Territory's interests will therefore be far better served by working with the authorities than by provoking constant confrontation with them over issues which we cannot realistically expect to influence.

Part of the deal in the implementation of the "one country, two systems" formula is an acceptance that the Territory does not have a mandate to attempt to influence policies in China as though it were a separate sovereign power. Too many individuals in Hong Kong — many of them in positions of considerable influence — choose to ignore this.

The economic reality is that Hong Kong and China are already indissolubly linked and irreversibly interdependent. Over the past 10 years Hong Kong has become the main engine driving the economic development of Southern China — it has, in effect, made the Chinese hinterland an extension of its own economy. Approximately three million workers, employed by about 25,000 enterprises in Guangdong province, are now undertaking work for Hong Kong companies. Most are involved in the processing of goods which are then re-exported through Hong Kong. China depends on the Territory for about one-third of its foreign exchange earnings and fully two-thirds of direct foreign investment.

China, furthermore, is an increasingly important investor in concerns in Hong Kong, including Cathay Pacific Airways, in which Citic, the corporate body responsible for many of the Chinese Government's international investments, has a 12.5-per-cent stake. China is the third largest investor in Hong Kong's industrial sector with substantial interests in the banking, property, transportation, construction and tourism sectors. Total investment is more than US\$10 billion.

I hope you will not consider me too cynical or materialistic if I point out that, so far as most Hong Kong people are concerned, the importance of this overwhelmingly strong economic relationship far outweighs any political factor.

They are accustomed to attending to their own affairs and leaving politics to governments. Business, historically, is Hong Kong's life blood, and primarily business involving China at that. The Territory thrives on pragmatism, and the business community is rightly suspicious of political idealists.

Nevertheless the politics of idealism is now a daily fact of life in Hong Kong, and to many of us this is a cause for some concern. Hong Kong has always been run on a basis of consensus politics — a traditional Chinese approach which has worked well. In a context of British administration, confrontation, however, is now very often the order of the day.

The election to the Legislative Council of 16 members or supporters of the United Democrats, led by Martin Lee, has, if not upset the applecart, certainly dislodged quite a few of the apples. The Hong Kong Government is now having to learn to deal with noisy opposition in areas in which it has been accustomed to quiet acquiescence. In certain respects this may be no bad thing.

There is concern in some quarters, however, that unless the government and its democratically elected critics can find a way to get along, there may be a deterioration in the business environment. Hong Kong's legendary efficiency stems directly from an efficient administration able to make rapid decisions. It is now being hampered in this process, and having its task of government further complicated by the

seemingly implacable desire of certain recently elected members to provoke confrontation with China.

Idealism is a characteristic of fledgling democracies. But, as I have pointed out, Hong Kong is not going to be a democracy in the normal sense of the term. Even though a greater measure of directly elected representation is being introduced into the system. My belief is that the Territory will eventually come to terms with this new way of doing things without unduly disrupting business.

I also believe that those newly elected members who continue to seek confrontation with China, which cannot be in Hong Kong's best interests, risk having their mandate revoked before 1997 by the very people who voted them in. Pragmatism will prevail, but we must hope that no permanent damage is done to Hong Kong's well-deserved reputation as an attractive place to invest — or to our relations with China.

The apparent political volatility of the relationship between Hong Kong and China belies the stability of the underlying economic fundamentals. Hong Kong and China are irrevocably committed to each other. Misunderstandings, however, are prone to occur, and perhaps the most serious of these to date has been over the issue of Hong Kong's new airport.

The controversy over Chek Lap Kok has generated a great deal of interest internationally. And there is, I believe, a certain confusion about the issue which it may be timely to clarify. The facts, briefly, are that a decision was taken early in October 1989 by the Hong Kong Government that, in view of the Territory's increasing importance as a centre of international aviation and of the strain this was imposing on Kai Tak, a replacement airport should be built at Chek Lap Kok, off Lantau Island, some 25 kilometres west of Hong Kong.

This decision was, perhaps, unfortunately announced, without appropriate prior discussion with the Government of China, which immediately registered a strong objection.

A strong affirmation of confidence and commitment to the future was vital for Hong Kong at the time. For China, however, the moment was politically highly sensitive. Throughout the demonstrations in Tienanmen Square earlier that year, which drew to their tragic conclusion on June 4, there had been sympathetic rallies in the streets of Hong Kong.

In some cases these turned abruptly to angry — though entirely peaceful — protest marches, leaving the Chinese Government deeply concerned at the possibility of Hong Kong being used as a base from which to foment unrest in China.

The Hong Kong Government's unilateral decision, at this sensitive time, to proceed with a project with major implications for post 1997 Hong Kong was well intentioned, but, with hindsight, diplomatically somewhat unfortunate.

So far as the Chinese Government was concerned the decision was not merely an affront — it also signalled a failure on the part of the Hong Kong Government to act in what they perceived to be the spirit of the Sino-British Joint Declaration. They set out to use the issue as a means to establish — some would even suggest to change — the ground rules for that Declaration's implementation, and also to remind the people of Hong Kong of their authority.

The dispute dragged on until September of last year when John Major went to Beijing to sign a memorandum of understanding in which the British and Chinese Governments undertook to support the project, subject to certain conditions. The most important of these related to controlling the cost of the airport in view of China's very real, although ill-founded, fear that cost over-runs might bankrupt the Territory.

The argument was about many complex issues involved in the sometimes troubled triangular relationship between London, Hong Kong and Beijing. What it was not about, curiously, was the urgency of the need for a new airport, as the

memorandum implicitly acknowledges. That requirement was self-evident to all parties.

As shorter flights to Europe and the United States become possible, and as the economies of the Asia Pacific region grow in prosperity and importance, Hong Kong becomes progressively more and more attractive as a centre for international aviation. The Territory is traditionally the Gateway to China, and has long been established as its de facto major southern port. It will now become its major southern airport also.

China and Hong Kong have, I believe, emerged from the Chek Lap Kok debate with an improved understanding of each other, and a clear recognition of a mutual interest which the memorandum of understanding well expresses. One heartening aspect of the resolution of the issue is that it underlines China's commitment to maintaining Hong Kong's status as an international city.

As 1997 draws closer we must, I believe, not only come to terms with but actively welcome increased participation in Hong Kong's economy by mainland China. There is a school of thought which maintains that while China pays lip service to the "one country, two systems" principle, in fact it is endeavouring to gain a controlling interest in Hong Kong's economy by stepping up its investment in the Territory.

That, I think, is a myth. Certainly China is anxious to increase its participation in Hong Kong's economy. It sees the opportunities to date taken up by local and international companies such as mine, but nothing in my experience suggests that it seeks to dominate it. Citic is content with minority shareholdings in Cathay Pacific and Hong Kong Telecom because the Chinese shareholders prefer it to be clear that the companies which have made these operations successful continue to control them.

They recognize, I believe, that a larger shareholding might make the companies less attractive to banks or other investors. In short, they protect their investment by keeping it within limits.

Certainly China is a keen participant in many sectors of Hong Kong life. About 3,000 Chinese-controlled companies are active in the Territory. They are used not merely as profit centres but also as a training ground, and as a window on the world — one more reason for China to nurture Hong Kong's internationalism.

The greatest risk for Hong Kong has never been that China would deliberately seek to harm it — history shows that it has always recognized its own invested interest in Hong Kong's success. Without China's tacit consent, the Territory could not function let alone flourish. A far greater risk has always been that China would fail to understand its workings and implement policies which might damage it.

Through direct participation in Hong Kong's economy, the Chinese are beginning to understand just what makes it tick. This can only benefit the Territory in the future, and is already benefitting Hong Kong's neighbouring Chinese special economic zones.

The inter-relationship between the economies of Hong Kong and China, as I have said, is already close and is becoming closer — so much so that an attack on China's economic interests must, of necessity, strike a blow to the heart of Hong Kong. As you will doubtless be aware, there is now a strong lobby in the United States pressing for economic sanctions against China. As discussions progress on the tripartite Free Trade Agreement between the United States, Canada and Mexico, we are naturally concerned that similar sentiments should not prevail in Canada, which is historically such a good friend to Hong Kong.

Sino-American relations have been troubled lately by disputes over a variety of subjects, including human rights, intellectual property copyright, and import restrictions. Because of these issues pressure groups are now lobbying for the withdrawal of China's most favoured nation status when it next comes up for review in June of this year.

Notwithstanding China's undoubted violations of U.S. law section 301, with regard to import restrictions, and past fail-

ures to conform to special 301 stipulations on protection of intellectual copyright, I do not believe U.S. withdrawal of MFN status from China would serve any useful purpose.

There are two reasons for this. The first is that any such action taken in the name of human rights will only reinforce China's already rigid determination not to tolerate foreign interference in its internal affairs. The second is the disastrous implications of such a course of action for "the greater China" — a de facto economic unit comprising China, Taiwan, and Hong Kong, which, notwithstanding their political incompatibilities, are increasingly economically interdependent.

To isolate China over human rights will not improve its practices in that department — any liberation that does take place is much more likely to spring from interaction between the Chinese and the people of more politically liberal countries. Dripping water may wear away that stone, but a sledgehammer will not crack it. China requires patience. Believe me, after 25 years in Hong Kong, I think I know!

In the second place withdrawal of MFN status from China would unquestionably have a seriously detrimental effect on Hong Kong with its heavy dependence on cross-border manufacturing. It would further damage those U.S. concerns which have invested in China through Hong Kong, and which have established their regional headquarters in the Territory.

Canadian enterprises would also suffer. Canada is the 15th largest foreign investor in Hong Kong's manufacturing sector, and its accumulated industrial investments alone add up to US\$24.8 million. Canadian companies are also well represented in Hong Kong's banking, trading and service sectors.

Another strong bond between Canada and Hong Kong is, of course, the large population of Hong Kong expatriates who now hold Canadian citizenship. I mentioned the brain drain a little earlier, and it seems to be an appropriate subject to raise in Toronto, the preferred destination of so many emigrants from the Territory.

Hong Kong's brain drain is both a myth and a reality — a myth in that its proportions tend to be wildly exaggerated, and in that its existence is attributed to a largely imaginary state of panic supposedly to be found in Hong Kong.

The great majority of the Territory's people choose to remain and work industriously in the place they rightly regard as home. It is a reality, however, that considerable numbers of capable qualified people continue to leave Hong Kong, as they have done since the '50s, for at least long enough to obtain residency rights overseas.

Emigration, however, is falling. The government estimates that only about 60,000 people emigrated from Hong Kong in 1991 compared with 62,000 in 1990. Many of these migrants, furthermore, choose to return to Hong Kong on acquisition of their second passports, and in some cases considerably earlier.

The grass is not always greener on the other side of the fence, and jobs can be relatively hard to come by overseas. Hong Kong, which for a period of global recession is still more or less a boom town, understandably has its attractions.

Paradoxically, in my view, the brain drain has also brought Hong Kong certain benefits. A creative economy does not automatically result from allowing men to grow old in their jobs, and the decision of a number of middle managers to move on opened up opportunities for younger and in some cases, better educated talent. These executives are anxious to put fresh ideas in to practice. This benefit has, at the very least, helped to offset some of the losses in terms of personnel.

The brain drain is not the consequence of some sort of collective despair. Far from it. The mood in Hong Kong, generally speaking, is buoyant and becoming more so daily. As you are doubtless aware, the commonly accepted barometer of Hong Kong people's confidence in the Territory is the performance of the stockmarket. The Hang Seng Index, which measures this, sailed through the 4000-point barrier in mid-

1991, and, after a plateau period in the quiet summer months, has been rising steadily since November. Analysts expect bullish sentiments to prevail.

We should also remember that residency rights do not necessarily imply even a desire to live elsewhere in the long term. There are now several passport schemes in place with different countries which give Hong Kong people the "insurance certificate" they need without having to actually leave the Territory to qualify for overseas residency. These are understandably popular.

Far more pressing a problem than a loss of emigrants is the ceaseless tide of would-be immigrants which continues to flow to our shores from Vietnam. The sad and problematic issue of the Vietnamese boat people refuses to go away.

Hong Kong is now alone in Southeast Asia in allowing Vietnamese boat people to land. Some countries actually push their boats back out to sea. The result is that the Territory is the intended destination of over 80 per cent of those who leave. Hong Kong has its own housing problems, and the community cannot assimilate a wave of mass immigration of this kind — particularly since illegal immigrants from China, who may well have relations in Hong Kong, are mandatorily repatriated.

We cannot return genuine refugees, but neither can we continue to support in Hong Kong Vietnamese people who have no real reason to fear political persecution if they return to Vietnam. Hong Kong, therefore, has a screening process to distinguish between genuine refugees and economic migrants. The former can remain in Hong Kong while awaiting resettlement in a third country. The latter will eventually have to go back to Vietnam.

Hong Kong has now begun to implement programs of voluntary repatriation for those who wish to return from the camps to their native land, and compulsory repatriation for those who have already chosen to return to Vietnam only to set out once again for Hong Kong.

I am aware that international opinion is not wholeheartedly behind this policy. There is, however, no practicable alternative. To imprison the migrants, some of them infants born in the camps, indefinitely would clearly be inhumane. The riot and fire earlier this month at the Sek Kong camp, in which 22 people were killed, is a tragic reminder of the potentially awful consequences of this prolonged incarceration.

No country, however, has expressed a willingness to accept more than a handful of even the genuine refugees. We have received little help from the U.S.A., which still reserves the right to object to our repatriation policy. Neither has Britain effectively come to our aid.

Between 1979 and 1991 the United Kingdom accepted only 14,140 Vietnamese refugees for resettlement. Canada, over the same period, took 24,627. That is certainly a better response than we have had from Britain, but in a country of this size with a long established friendship with Hong Kong, we had hoped, and to continue to hope, for a little more help.

Hong Kong has not the resources to offer the boat people a permanent home, and would be utterly swamped with new arrivals if it did. The only viable solution is to assist in rebuilding the Vietnamese economy, thereby reducing the incentive these unfortunate people have to leave.

Without question the greatest obstacle to Vietnamese initiatives towards both political and economic liberalization has been the trade and investment embargo imposed by the United States. The announcement that relations will, in time, be normalized has provided something of a fillip, but the U.S. Government clearly intends to proceed with caution in this matter.

Hong Kong would welcome Canadian support in expediting full normalization of relations between North America and Vietnam — a reconciliation that troubled country, and those of its citizens so desperate to leave it, urgently need.

I, personally, — along with many others in Hong Kong — find the gradual liberalization of the Vietnamese economy greatly encouraging. I have recently been to both Ho Chi

Minh City and Hanoi and met with very senior government officials. I was greatly impressed by their pragmatic political attitude.

Cathay Pacific now flies directly to Ho Chi Minh City and Hanoi, on a joint-venture basis with Vietnam Airlines. We are enjoying record load levels for new routes, and are already considering increasing the frequency of our services. There are strong traditional business links between Hong Kong and Vietnam, and trade and investment are both increasing steadily.

Hong Kong investment in the country is now in the region of US\$400 million and some 14 companies have opened representative offices. With the resumption of diplomatic relations with China in November last year, cross-border trade also looks set for growth.

Vietnam, in my view, offers outstanding opportunities to investors, and Hong Kong looks to its friends for support in the role we are currently playing in the reconstruction of that country's economy. It is a key — perhaps the only key — to ending the tragic plight of the boat people.

I cannot conclude without saying something about the future. With regard to Cathay Pacific, the largest of Hong Kong's three airlines — let nobody say we have an over-regulated protected market — allow me to dispel one myth immediately. Contrary to any rumours you may have heard, Cathay Pacific has not the remotest intention of moving its base of operations away from Hong Kong before, or after, 1997.

We are satisfied with the provisions in the aviation annexe of the Sino-British Joint Declaration for the maintenance of Hong Kong's status as an international air transport centre.

The annexe stipulates, and I quote: "The Hong Kong Special Administration Region shall maintain the status of Hong Kong as a centre of international and regional aviation. Airlines incorporated and having their principal place of business in Hong Kong and civil aviation related businesses may continue to operate."

Since the signing of the Joint Declaration the Hong Kong Government has renegotiated the existing air service agreements between Hong Kong and a substantial proportion of the countries to which Cathay flies. The previous agreements required Hong Kong carriers to be British airlines, effectively owned and controlled by British nationals in a British colony.

There are some complications involved in the negotiations with the United States, but the new definition of a Hong Kong airline as one incorporated and having its principal place of business in the Territory is fully acceptable to the governments of Canada, Australia, France, Germany, Holland, India, Italy, New Zealand, Switzerland and many others, including, of course, China.

Canada was one of the first countries to sign a new, independent air services agreement with Hong Kong and we are grateful for the confidence this showed. It undoubtedly encouraged others to follow suit. Hong Kong's recognition in these agreements as an international city with its own international aviation arrangements, I believe, reflects international confidence in its future.

Cathay, furthermore continues to put its money where its mouth is. Our plans call for nearly US\$8 billion to be spent on aircraft alone in the period between now and 2000, with firm orders for nine Boeing 747-400s and 10 A330s. In addition, we expect to soon have in place orders and options for a further 29 widebodies.

As I have already said, we are firmly committed to Hong Kong, not only in our own right but also as part of the Swire Group. The importance of our parent company's role in Hong Kong could hardly be overstated. Swire companies, including Cathay and the Swire operations responsible for aircraft catering and maintenance as well as air cargo handling, contributed almost one per cent of Hong Kong's total GDP last year. Swire's investment strategy calls for 90 per cent or so of the Group's assets to remain within the Greater China triangle of Hong Kong, Taiwan and China.

As an important property developer, Swire Properties continues to invest in projects on which the company cannot expect to see a return until long after 1997.

These strategic decisions do not arise from sentimentality about Hong Kong, which has, after all, been our home since we lost our base in China in the late '40s. The Territory provides, and will continue to provide, unrivalled access to opportunities, and first-class conditions in which to do business. Hong Kong is one of the world's great centres of banking, finance and tourism with more than six million visitors passing through last year — a figure roughly equal to the total population.

Economically, the Territory's performance remains, in the view of many observers, near miraculous in the context of a global recession. Per-capita income is the highest in Asia, outside Japan, and GDP is forecast to grow by five per cent in 1992. Inflation, which last year reached 11 per cent, and a shortage of labour remain problems, but steps are being taken to solve them.

Without question the Territory's greatest asset is its people. Hong Kong's work force is industrious and adaptable and its entrepreneurs imaginative and determined. It is a major manufacturing and services centre in its own right, as well as being the key to the Chinese hinterland. Hong Kong capital, technology, management and marketing skills, combined with China's abundance of land and labour, offer a competitive advantage available nowhere else in the region.

Certainly overseas investor confidence continues to run high. Although precise figures are impossible to obtain, direct foreign investment probably exceeded US\$30 billion at the end of 1989.

I have referred to some of our difficulties, and I do not wish to minimize them, but none, I think, is insurmountable. I remain confident. The very existence of Hong Kong as the sophisticated modern city it is today is compelling evidence of indomitability in the face of adversity.

Certainly Cathay Pacific's commitment to it is unshakable. Hong Kong is, after all, the logical hub of a region which, according to World Bank estimates, will account for fully 40 per cent of the world's economic activity by the year 2000. Bearing all that in mind, where else could we possibly want to be? Hong Kong is a great city and Cathay Pacific has every intention of remaining its airline well into the next century. Thank you.

The appreciation of the meeting was expressed by Roland Lutes, President, The Canadian Club of Toronto.



February 20, 1992

The Hon. Jean Corbeil

Minister of Transport

TRANSPORT IN CANADA AND NATIONAL UNITY

Introduction: John F. Bankes
President, The Empire Club of Canada

A popular pastime for North Americans is to peer through the thick fog of dismal economic data, company layoffs and gloom-and-doom punditry for glimmers of economic rebound. To date, the early signs of economic recovery have not been obvious as the economy remains painfully stalled.

The economic slowdown has prompted the introduction of a new buzzword in Canadian politics: infrastructure.

Faced with a recession that is outlasting predictions, many Canadians are calling for government to start building again. They argue in favour of a confidence-building program of economic stimulus.

Provincial premiers, federal opposition parties, municipal politicians, CEOs of banks: the calls for infrastructure renewal are coming from many quarters.

Nostalgia is not always a bad thing. As the songwriter says: It accentuates the positive, eliminates the negative. In a way, those calling for infrastructure renewal are trying to mine a vein that runs back to the memories of public works projects in the 1930s, to

Winter Works programs in the 1960s, and to Local Initiative Program grants in the late 1970s.

This being Canada, it isn't surprising that much of the focus on capital projects — whether government or private — is on transportation infrastructure. Those playing the nostalgia card remind us that when Canadians first came together as a country in the 1860s, the railroad was the vehicle used to tie us together. When we faced the Depression in the 1930s, government embarked on a program of airport construction and other similar public works to boost the economy.

And, this being Canada, it also isn't surprising that many see a national unity dimension in the discussion and debate on infrastructure renewal.

These days, the issue of national unity — and its sister issue constitutional reform — creep into almost every political and economic discussion in Canada. I am reminded of the story of the three students: an Englishman, an American and a Canadian. They were asked to write an essay dealing with horses. The Englishman wrote an essay on Horse Racing: The Sport of Kings. The American wrote about The Horse and the Opening of the American Frontier. And the Canadian wrote a piece entitled: The Horse and National Unity.

Rupert Brooke wrote home from the train bearing him along the north shore of Lake Superior that Canada was beautiful but would be improved by editing. Similarly, MacKenzie King once said: "Canada's problem is that we have too much geography and not enough history." Canadians have been making a great deal of history over the past few years. Many would argue — in the interests of fairness — that it's geography's turn again.

With infrastructure renewal emerging as an issue, the role of the federal Minister of Transport takes on a growing importance. Our guest speaker today, the Honourable Jean Corbeil, brings considerable hands-on experience to the complex portfolio. M. Corbeil has been dealing with transportation issues since 1973 when he was first elected mayor of the Montreal area municipality of Ville d'Anjou.

During his four terms in the mayoralty, M. Corbeil learned about urban issues across Canada; he served a term as Chairman of the Canadian Federation of Municipalities in 1987-88, and two years as Chairman of the Union of Municipalities of Quebec, from 1984 through 1986.

M. Corbeil was elected to Parliament in the 1988 federal election, and was immediately appointed Minister of Labour. In April of last year, he was shifted to the Transport portfolio, where a host of

issues awaited him. Minister, now that you have been in the post for almost a year, we look forward to your thoughts on these issues.

Members of The Empire Club and guests, please join me in welcoming the Honourable Jean Corbeil.

Jean Corbeil:

Distinguished guests, ladies and gentlemen:

I was pleased to accept the invitation to address The Empire Club today. As you know, the national unity issue and the challenge of improving Canada's competitiveness is at the top of the federal agenda these days. These two issues are, of course, inextricably linked to transportation so I will concentrate my remarks on these three topics.

Constitutional Reform — National Unity

As Canadians, we are facing one of the most important challenges in our history — the challenge of keeping Canada united. Proposals have been put forward by our government, the Government of Canada, to improve our constitution. The proposals, for a more united and prosperous Canada in which all Canadians can feel at home, are being reviewed by a special parliamentary committee.

The plan, appropriately titled *Shaping Canada's Future Together*, provides a basis for discussion about the kind of country we want in the future. The plan's 28 proposals for constitutional change, which range from the recognition of Quebec as a Distinct Society to strengthening economic union, are not fixed or final. They are giving focus to a national dialogue on constitutional reform. The proposals represent an invitation to all Canadians across the country to participate in a genuine political renewal.

The objective of this process is a better and stronger Canada which reflects our true values and allows us to achieve our common goals and objectives while respecting our diversity.

The government has held five parallel conferences on its proposals for constitutional reform. The first was held in Halifax and dealt with division of powers. The second, at

Calgary, addressed institutional reform. The third, at Montreal, studied the economic-union proposal. A recent Toronto conference, you will remember, examined identity, rights and values.

The fifth conference, last weekend in Vancouver, had a goal to achieve consensus in as many areas as possible.

Many Canadians followed these discussions closely because the stakes are very high. There was a strong spirit of consensus at these conferences because the delegates were talking about the future of our country.

National unity is not a specialized issue for politicians or constitutional lawyers. It is everybody's business. If we realize that, and act on that recognition, we will continue the Canadian journey together.

Ce qui importe vraiment aujourd'hui, c'est de savoir si les Canadiens sont prêts à aborder ces questions difficiles dans un nouvel état d'esprit. Le premier ministre, le très honorable Brian Mulroney, a demandé de faire preuve de générosité et d'un esprit de conciliation.

L'histoire du Canada est celle d'une société où règnent la liberté, la tolérance et la compassion. Le Canada constitue en lui-même un riche héritage dont nous assumons la sauvegarde pour les générations futures. Oui, nous avons d'exécrables défauts, mais oui nous avons aussi des merveilleuses qualités. Nous pouvons adapter notre régime fédéral, voire le remodeler selon certains principes fondamentaux. Nous nous devons, à nous-mêmes et à nos enfants, de vaincre les difficultés actuelles en conciliant notre unité et notre diversité de façon créative.

The Prime Minister said recently, and I quote:

Never, in the broad sweep of Canadian history have so many held the key to doing so much for this country's future.

For the aboriginals who lived and pioneered here first, for the immigrants who came and sacrificed together; for those who fought and died

abroad so that we might live in freedom, we must not fail.

Let us honour the values of the Canadian ideal. To share. To believe. To trust. To aspire. To respect oneself and each other.

As Sir John Macdonald said: "Let us be English or let us be French but above all, let us be Canadians."

Being Canadian is infinitely more important than being Liberal or Conservative, right or left, labour or business, from the East or the West.

As Canadians wrestle with constitutional choices during the next few months, they must also look at the international consequences of the domestic decisions. For example:

- How would a diminished or radically transformed Canada function in the world?
- And what do the Federal Government's policies and actions tell us about our common identity and values.

Foreigners are worried, fearing the loss of one of the most responsible states on the world scene and one of the best models for tolerant pluralism in a world which desperately needs such models.

Should the country rupture, no provincial government could justifiably claim the kind of representation that Canada now merits in international councils. Even a reconfigured Canada, without Quebec, would be vastly diminished. A separate Quebec, of course, would count for much less again on all international scales.

Canadians must think seriously about trying to deal with the United States, or any other powerful country or grouping, if Canada consisted of fragmented squabbling states with no strong focal point at the centre.

Fewer people in Canada would be talking much about the abstractions of sovereignty and competing provincial interests if the United States — sure of little retaliation — decided to scrap the Auto Pact or if the European Community

decided to move in, without restraint, on Canada's inshore fisheries or international grain trade.

In a world of states trying to accommodate ethnic, linguistic and regional diversity with the demands of interdependence and integration, Canada has long been valued as one of the most successful role models.

Toute évolution de la constitution canadienne vers un destin qui serait perçu à l'échelle internationale comme un échec de l'expérience canadienne qui a toujours constitué un exemple classique de tolérance, de compromis et de coopération, pourrait miner sérieusement les progrès de la démocratie dans plusieurs parties du monde.

Ce n'est manifestement pas grâce à une identité ethnique ou tribale commune que le Canada est demeuré un tout et qu'il le restera. Le Canada est, parmi les nations, quelque chose de bien plus audacieux et de bien plus fragile, c'est un ensemble de communautés unies par des valeurs et des intérêts communs.

Le Canada est né de la détermination des Sir John A. Macdonald, Sir G. E. Cartier, D'Arcy McGee et autres visionnaires qui ont senti au milieu du siècle dernier que ces colonies disparates érigées sur les bords du majestueux St-Laurent ne pourrait survivre et grandir qu'en s'unissant. Ils ont eu l'audace et la témérité d'établir, à travers des compromis honorables, les fondations fragiles d'un ensemble de communautés diverses unies par des intérêts communs et des valeurs généreuses.

Leur clairvoyance a permis qu'en moins de 125 ans, ce minuscule Canada constitué en 1867 s'est depuis étendu de l'Atlantique, au Pacifique, du 45° parallèle jusqu'à l'Arctique pour devenir l'un des pays les plus privilégiés de la terre, protégée par une force divine de tous les cataclysmes qui ont affligé tant d'autres pays.

Paradoxically, it is often only from outside, in our foreign policy, accomplishments and reputation in the world, that we see how strong the common interests and values among

Canadians truly are. Unfortunately, most of us do not get the chance "to see ourselves as others see us" often enough.

The world will change and so will Canada. But I believe Canadians' willingness and ability to adapt to change will help rebuild unity in this country. And I hope that during this 1992 we will rise above our differences and we will all mature enough to enshrine our unity. Once that is done, we can concentrate on improving our competitiveness.

Competitiveness

Transportation, too, must be able to adapt to the rapid, powerful forces of change in the global marketplace if it is to contribute to Canada's economic health. For many businesses in this country, distance to market is a No. 1 marketing challenge. Canadian competitiveness abroad begins with a competitive transportation system at home.

A transportation system that is competitive and responsive to market forces cannot be planned for in an ivory tower; it has to be shaped and reshaped as conditions change.

We have taken a business-like approach to planning the future of the transportation industry. We have established realistic objectives that can be met with available resources and within reasonable timeframes. We are finding innovative and creative ways to solve infrastructure problems and capacity constraints. The advantages of economies of scale are allowing us to avoid duplication of services on a nation wide basis. In other words, we are continuing to do more with less.

Harnessing Canadian transportation to market forces has been behind our transportation policies since 1984 and, I am pleased to say, we have made radical changes in key areas of transportation to achieve that goal.

During the last few years, the combination of recessionary forces and intensified competition has led to a rationalization and consolidation in the industry on a global scale.

Airlines around the world have streamlined their operations, introduced efficient technical innovations both on the

ground and in the air, and have developed effective routing networks — all in an effort to remain competitive. Airports are aggressively marketing themselves locally, regionally and internationally.

In today's dynamic environment, maintaining the status quo is tantamount to losing ground. As a government, we recognized that the protective legislation that had served our transport industries well in the past was now impeding their growth. It served neither the industry nor the Canadian travelling public.

Our Freedom to Move initiatives of the mid-1980s were designed with Canadians in mind — and Canadians are benefiting. These changes have contributed to the development of effective hub-and-spoke networks with links to other international carriers. And our carriers are today providing better service at more competitive prices.

Canada-U.S. Air Transport Agreement

A new Canada-U.S. air transport agreement is essential if our airlines are to continue to provide better service. The potential advantages of a new agreement make it an essential element in our strategy to help Canadian carriers and their clients.

Under the current arrangement, our airlines have access to only 30 per cent of the American market while U.S. carriers enjoy access to 90 per cent of ours.

The 1974 agreement is stifling the new trade, travel and tourism realities of the North American trans-border market and Canadians are at an obvious disadvantage.

International trade has been, and always will be, a key to Canada's economic vitality. The Free Trade Agreement was signed in recognition of this fact, and with the intent of providing easier access for Canadian products to the U.S. market. Transportation agreements and infrastructure that are complementary to the FTA must be developed if Canadian business is to be fully competitive.

The new bilateral air agreement is intended to do precisely that. It will provide a wider choice of fares, carriers and services. Canadians will be able to make more direct flights between major centres such as Toronto and Washington, Montreal and Atlanta, and Vancouver and Denver. Increased business will, in turn, spur development of better facilities.

As you know, we have held four rounds of talks in the United States and Canada and the progress has been good.

As Minister of Transport, I can assure you I will not sign a new agreement that does not ensure the continued viability of the Canadian airline industry. Safeguards, phase-in-periods and an examination of "made-in-Canada" cost issues are ways of accomplishing this goal.

We can't deny the future. But we can manage it for the sake of our airlines and our business interests.

The new air agreement is being negotiated by our government in the interests of all Canadians. I am confident a new agreement could be concluded by the end of 1992.

Air Canada — Canadian Airlines International

With respect to the situation of our two major airlines, we are monitoring this issue very closely. Neither Air Canada nor Canadian Airlines International have asked us to modify any parts of our existing legislation, but I repeat what I have said on many occasions: any proposals put to us by any one or both airlines will receive our immediate and careful attention.

Our government, of course, would like to see the combined operation of our two national airlines because we strongly believe that competition between Air Canada and Canadian Airlines International will provide travellers with wider choices and better fares.

These are some of the adjustments we may be taking in the air. But what about the changes on the ground.

Airports

A visit to any one of Canada's major airports would give observers the impression of an isolated island humming with

independent activity — people scurrying about, luggage moving on conveyors, planes coming and going, and so on.

But that impression would be wrong. These transportation gateways are hardly isolated, and they're far from being independent of their communities. Recent economic impact studies have shown just how integral our major airports are to their surrounding environments.

In Toronto, almost 34,000 direct airport jobs are created by firms and government agencies located at, or directly tied to, Pearson International Airport. Some 14,000 people are employed right at the airport.

In total, Pearson and the other industries it supports generate more than \$1.9 billion a year in personal income and \$4 billion in direct revenue for local businesses which translates to nearly \$11 million of business revenues each and every day of each year.

The airport also helps to generate revenues for municipal, provincial and federal governments. These are taxes paid by both individuals and businesses.

Annual revenues resulting from airport activity and paid to the various government jurisdictions total \$630 million.

As you all know for sure, an environmental review is under way to assess the impact of the proposed construction of three additional runways at Pearson International Airport. Public hearings concluded earlier this month and the panel is preparing its report and recommendations to the government. They're due in Ottawa this summer.

Nearly one third of all travellers in Canada pass through Pearson International, this country's largest airport and the second-busiest gateway in North America. And it is expected Pearson will surpass its 28-million-passenger capacity in 1997 whether new runways are added or not.

And because Pearson will need to accommodate such volume of transient passengers before the end of this century (with or without the new runways) and because nobody wants to relive the horrible congestion that prevailed for too

long before February 1991, we are actively examining the upgrading of Terminals 1 and 2.

Many factors have to be considered, one being the state of the economy, and we expect to be in a position to finalize our examination of this question very shortly.

Airport Transfers

Canada's airports obviously are big business and vital elements of the local, regional and national economies. How have we, as a government, adjusted to this reality?

As was the case with our airlines, we've recognized the environment in which our airports function is changing and that the arrangements of the past don't meet present-day needs.

In response, we've adopted a management framework for Canadian airports that emphasizes commercial development, potential contribution to economic development and responsiveness to local interests and concerns.

To implement this strategy, we've moved on several fronts. Smaller federal airports in the Northwest Territories and the Yukon have been transferred to the territorial governments. Proposals are being considered to transfer small airports throughout Canada by sale or lease to local governments or private interests.

With respect to our larger federal airports, I am pleased to tell you that I will soon be signing formal agreements to transfer four international airports — the Dorval and Mirabel integrated airport system as well as Vancouver, Calgary and Edmonton — to local airport authorities (LAAs).

Once all conditions of the transfer agreement are met by the local airport authorities and the Federal Government, the airports will be turned over formally to the LAAs about six months later. If the Toronto-area municipalities so wish, the operation of Pearson airport could also be transferred eventually to a Toronto LAA.

These agreements will allow us to embark on a challenging new approach to airport management in Canada.

Transport Canada places considerable importance on partnerships with the private sector as we develop our programs, policies and services to meet the needs of the airport system. I am pleased to say the Federal Government and the private sector are taking a major step forward in providing for the sound economic management and competitiveness of our airports.

The LAAs will operate these airports autonomously on their own behalf. The Federal Government will continue to provide and pay for safety-related functions such as aviation and inspection services.

Let me emphasize that the transfers of the four international airports do not represent their sale by the government. Instead, the LAAs will operate the facilities under the terms of a 60-year lease.

As a result of these transfers, LAAs will be managed by local people who will best know the local requirements, will be better suited to adjust the management of the local airports much faster to changing conditions, better adapt to the changing world of a new bilateral air treaty with the U.S. and better utilize the airport as an economic development tool.

Now let's turn to:

Surface Transportation

A safe, effective and efficient surface transportation system is essential to the day-to-day operation of any airport, from Pearson to the smallest gravel runway on the prairies. One of the major transportation industries that uses the road network is the Canadian trucking industry.

When you talk about trucking you are again talking big business. Canada's 5,900 trucking companies employ 100,000 people and the industry generates some \$9.6 billion in revenue each year.

Until four years ago, government regulation tended to be interventionist and anti-competitive. We have moved away from that approach and, at the same time, have paid more attention to safety. We now have a National Safety Code

under which truckers everywhere in Canada operate under the same safety standards. Most items in this National Safety Code are already in effect nationwide.

It isn't easy to adapt to new standards — particularly so in a recession — so we have taken certain measures to help truckers make the transition.

- We have adjusted the capital cost allowance rates to allow faster depreciation on tractors.
- We have also set up a two-year partial rebate for truckers on the federal excise tax on diesel fuel.

So, even in tight fiscal times, we are working to improve the regulatory environment for truckers — it's a good investment.

VIA Rail Improvements

Any discussion about surface transportation would not be complete without citing the remarkable achievements of VIA Rail recently. A month ago, VIA Rail inaugurated an early-morning, Kingston-to-Toronto passenger service as part of a series of train-frequency improvements in the Montreal-Ottawa-Toronto triangle.

VIA's additional services are in response to demand from this growing market. The increased levels of service have been made possible by productivity improvements, better equipment and rolling stock. Responsible, sound management and a corporate restructuring have allowed VIA Rail to fulfil its mandate, cut its dependence on government funds and continue to provide first-class rail passenger services in Ontario and across Canada.

For example, VIA has added a Montreal-Toronto express train that will make the 539-kilometre trip 20 minutes faster. By the end of the year, VIA hopes to be able to cut this trip by a further 10 minutes, to just under four hours.

Yes, it was a tough decision to take in 1989. Yes, we suffered badly in the House of Commons and in the polls when we cut back our annual subsidy to VIA Rail. But we accepted the temporary "verbal abuse" because we knew that

Canadian taxpayers could no longer support the massive financial contribution that VIA required.

But I can tell you it was a great satisfaction to see that, within hardly two years, VIA could come back with the improvements recently announced and do it within its reduced budgetary constraints. The better our transportation systems are, of course, the better we can compete. But there is another vital factor in play at this time. It is psychological. It has to do with complacency. It also has to do with estimating our assets realistically.

The recovery from recession in our country, and by our trading partners, has been painfully slow. Yet Canada continues to be one of the most fortunate nations in the world.

In terms of population, we rank 31st in the world. Yet we are members of G-7, the regrouping of the top seven industrialized countries and we can boast the second-highest standard of living in the world.

We should never forget the base on which our prosperity stands. It rests, in part, on resource wealth and human skills. It also rests, in part, on our crossroads location, with trading windows south, west and east.

But the bedrock of our prosperity is Canadian nationhood — the economic integrity of a large, single, nation. Other countries and coalitions understand that advantage and many are making extraordinary efforts to match it.

Across the Atlantic, this is the year of European unity. Three-hundred and twenty million people, different in language and culture, with a centuries-long history of conflicts, are coming together at last. They are doing this for practical economic reasons. Europe united will be stronger economically than Europe divided.

Other coalitions are taking shape — the Association of Southeast Nations, for instance. These countries understand that larger economic units can compete better than smaller ones. They are hoping to cash in on synergism — the paradox that says two plus two can equal five.

Where did they learn that? Partly from us. Canada is a textbook example of synergism. We are more than the sum of our parts. Canada is a country of differences — regional, cultural, linguistic. Canada since 1867 has shown, despite periods of turbulence, that differences can be accommodated in a nation state.

That is the challenge of 1992. And it translates, at this point, into the task of renewing and improving our constitution, as I said earlier. A constitution is both an expression and an instrument of unity. It is a map that delineates the common ground of principle on which a nation stands. It is also a formula for co-ordinated economic effort.

L'une des préoccupations du gouvernement fédéral, c'est le conflit des politiques fiscales et budgétaires es divers paliers de gouvernement. Il arrive souvent que celles des gouvernements fédéral et provinciaux ne se compètent pas l'une l'autre. Elles peuvent même se neutraliser.

Il y a aussi une foule d'obstacles au commerce intérieur. Dans certains cas, les échanges sont plus faciles entre le Canada et d'autre pays qu'à l'intérieur de notre pays. L'Association des manufacturiers canadiens est parvenu à chiffrer ce problème. Elle a dénombré au moins 500 obstacles gouvernementaux au commerce intérieur.

Truckers in some provinces cannot go into other provinces because of variances in weight standards. Job vacancies in some provinces cannot be filled by people from across the provincial boundary. Architects cannot bid on work in certain Canadian cities if they don't maintain an office in that city. This is not the way to build a sense of common interest.

But it is also expensive. The Canadian Manufacturers Association estimates we could save \$6 billion a year by getting these barriers out of the way.

The Europeans have made similar calculations in this area. They believe that taking down the barriers there will increase personal income five to 10 per cent. On that basis, the same process would increase the standard of living of the

average Canadian by anywhere from 11.5 to 16.5 per cent. For a family of four that would be equivalent to an increase in income of \$11,000 to \$16,000 a year.

The Federal Government proposes to amend Section 121 of the Constitution Act of 1867. This would allow goods, services and capital to move freely, without barriers or restrictions based on provincial or territorial boundaries. We are also proposing to develop guidelines for co-operation.

These would allow Ottawa and the provinces to co-ordinate fiscal policy and harmonize it with the national monetary policy. These guidelines would have to be approved by at least seven of the provinces representing 50 per cent of the population. Up to three provinces could opt out.

Until we put this aspect of our house in order, Canada will be realizing only part of its economic potential. We cannot afford to continue in this mode. And we cannot afford to be complacent. Canadians need to realize that the relative affluence of Canada is not a special privilege granted from on high. It has its roots. Recent history makes that point vividly.

The countries which have chosen to harness market forces have prospered. And these are the countries which have come to market united. And we have seen some nations which ignored these realities slide into decline.

Conclusion

In 1932, a new American president, Franklin Delano Roosevelt, told his people the only thing they had to fear was fear itself. Let me conclude by adapting that famous quotation to Canada today: The only thing Canadians have to fear is taking Canada for granted.

We need to stop moaning about our few miseries and think more about our many successes. Yes, through our first 125 years of existence we have experienced regional difficulties and differences of opinions. And, very likely, during the next, many hundred years, we will again live through strenuous times.

But, like members of a strong and loving family, we will surmount our problems through generosity, tolerance, understanding and a determination to stick together.

I propose to The Empire Club — and all Canadians — that we conclude a “pact” which will permit us to reach our collective objective.

I propose that all Canadians — regardless of origin, language and heritage — resolve to live together as a proud, united and prosperous nation, where democracy and freedom will continue to assure us, our children and their children that we will live in peace, harmony and goodwill in this God-blessed country — our Canada.

Thank you.

The appreciation of the meeting was expressed by Maj.-Gen. Reginald Lewis, Chairman and CEO, Toronto Economic Development Corporation, Chairman, The Empire Club Foundation and a Past President, The Empire Club of Canada.

Monsieur le Président, Monsieur le Ministre, chers invités, cher membres et chers amis de l'Empire Club of Canada.

Monsieur le Ministre — au non de cette assemblée, c'est avec le plus grand plaisir que je vous remercie, d'avoir accepté de nous rendre visite, et de prendre la parole aujourd'hui.

The President's introduction and many of your remarks, Minister, emphasize the significant importance of transportation in this, the second largest country in the world. We are most grateful to you for the comprehensive manner in which you have given us your views as they relate to current transportation problems and proposals.

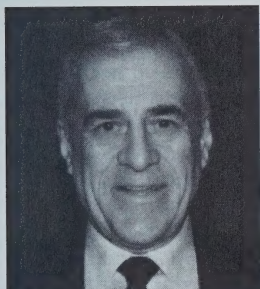
I would also take this opportunity to congratulate you on the remarkable achievement your ministry has demonstrated as attested to in the co-operation and liaison between the two levels of government, the federal and provincial, which co-operation is manifested in the creation and continuation of the Royal Commission on the future of the Toronto waterfront. Your ministry and the Royal Commission have come forward with creative, positive thoughtful yet titillating recommendations on the reclamation, rejuvenation and utilization of the waterfront. This region owes its thanks to you, your ministry and the Royal Commission for the beneficial work you have carried out on its behalf.

So too today, Minister, we are delighted to have as guest of honour a Federal Government leader from Quebec. In these difficult times for Canada it is a symbol of national unity that is extremely precious to all who are assembled in this room today.

Canada is a truly remarkable country — it is a country of distinction. And is an encouragement to all who seek to emulate her. In no small measure the distinction that Canada enjoys is derived from the Distinct Society of one of its vital component parts, the province of Quebec.

I am sure I speak for all here today, as well as many beyond these four walls, when I say we look forward to many meetings at this Club in the years ahead, when the guest of honour is once again a Federal Government leader from Quebec. A Quebec which is an acknowledged Distinct Society but nonetheless a fully integrated part of this magnificent country.

Monsieur le Ministre — merci d'être venu a Toronto, et merci de nous avoir parlé. Veuillez accepter tous nos souhaits de succès face aux défis nationaux.



February 27, 1992

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

Jack V. Masterman

Chairman, Canadian Life and Health Insurance
Association Inc. and
Chairman and CEO, Mutual Life of Canada

CANADA: OPPORTUNITY FOR RENEWAL

Introduction: John F. Bankes
President, The Empire Club of Canada

The directors and officers of the Canadian and Empire Clubs are pleased that Jack Masterman, Chairman and CEO of The Mutual Life Insurance Company and Chairman of the Canadian Life and Health Insurance Association, accepted our invitation to address this special joint meeting today.

To begin, let's tug at a thread and see if it unravels a theory. The thread is a single observation from the building political crescendo in the U.S. in this election year.

The Republican primary in New Hampshire has recently concluded. From the media reports, you may have learned about President Bush's emergence from 11 years in Washington's choicest executive mansions to confront the modern supermarket.

The American commander-in-chief, whose arsenal includes bombs so smart they can dive down chimneys and warplanes so stealthy they can sneak up on foes, was stunned beyond belief by his latest high-tech discovery. The press picked up on the expression of genuine wonderment on President Bush's face while

campaigning as he encountered — for the first time, apparently — a supermarket checkout scanner. (This is the same George Bush who, just a few days earlier, had assured New Hampshire voters he really understood the economic misery that gripped their daily lives!)

One learns something new every day! North American supermarkets, however, have been using scanning technology since 1976 and the devices have been in general use for a decade. (Martin Fitzwater, the White House spokesman, was quick to assure reporters that he had seen the President in a grocery store. A year or so ago! In Kennebunkport!)

Could you imagine the look of disbelief or horror on the President's face had he visited a financial institution? Banks, trust companies, insurance companies, and brokerage houses are now employing technologies that were not available just a few years ago. And would not have been thought possible just a few decades ago.

The invention and development of the micro-chip is changing the world in the 20th century as much as the invention of the printing press did in the 15th.

It used to be said that the sun never sets on the British Empire. Nowadays, the sun never sets on financial markets. Facilitated by sophisticated technology and communications, the trading of financial instruments is transacted around the clock in financial markets physically located in disparate time zones.

The technological revolution is not universally loved and appreciated. As Marshall McLuhan warned a dozen years ago: "In the 1980s, there will be a general awareness that the technology game is out of control, and that perhaps man was not intended to live at the speed of light."

Proponents of the technological revolution, on the other hand, echo the wise words of the late Maurice Chevalier which he used to describe old age: "It's not bad, when you consider the alternative."

Technological advances have contributed to the heightened interest in the deregulation movement. The force of technology is speeding forward institutional changes, and igniting the drive to deregulation.

In Canada, in response to changes in the financial services field, both federal and provincial governments are changing the rules. As Canadians, we stand a fair chance of mounting this horse and riding off in all directions! What else can we reasonably expect, if regulatory authorities try to get the measure of the beast with only a firm grip on nose or tail?

With some notable exceptions, different types of financial institutions in Canada can now compete for the same business. Barriers to entry for foreign competitors are being lowered or

eliminated. And, in its drive to improve customer service, the industry is growing out of its suit of government regulation. The distinctions between the four pillars are blurring.

The driving force for regulatory changes is the classic “push-pull” of the marketplace — where customers are pulling for new services, financial institutions are pushing to get ahead of these and anticipate their needs.

Questions arising from financial services deregulation include: Cui bono? Who profits by it? Who benefits? And, how will the future of the financial services industry in Canada be affected by the outcome of the current national-unity debate? Will constitutional changes impair or enhance the Federal Government’s capacity to introduce uniform changes across provincial boundaries? Will corporate strategies in the Canadian financial services field emerge more cohesive or more fragmented? And if it came down to it, would a fully sovereign Quebec be willing and able to work in harmony with a reconstituted Canada?

Our speaker today, Jack Masterman, is well qualified to offer a perspective on these issues. Mr. Masterman has been described as the perfect Prospero for a modern production of *The Tempest*. In addition to being Chairman and CEO of The Mutual Life Insurance Company and a director of several companies in the Mutual Group, he is active in insurance industry associations, as the Chairman of the Canadian Life and Health Insurance Association, and a Director of the American Council of Life Insurance.

At Mutual Life, Mr. Masterman has transformed it into a diversified organization to take advantage of the broad products offered to insurers by deregulation. Mutual was the first insurance company in Canada to launch a mutual fund. Then, it bought Mutual Trust Co., a brokerage firm and a family of financial services companies that includes eight mutual funds at Mu-Cana Investment Counselling Ltd. Mutual’s new corporate slogan is “Facing tomorrow together!”

Ladies and gentlemen, please welcome Jack Masterman.

Jack Masterman:

Let me start by thanking you for the privilege of addressing both the Canadian and The Empire Clubs today. I am deeply honoured. I want to talk to you about two issues that, at first glance, may seem unrelated — financial services reform and the constitutional question.

The financial services industries have just emerged from a prolonged and arduous process of legislative reform; I think all would agree it was long overdue. With its passage, we are now faced with a changing and challenging future.

Similarly, Canada is in the midst of a long and arduous process. The constitutional debate has been ongoing for an extended period of time and it is still very much a question in search of an answer. As in financial services reform, there are several opposing views that must be taken into consideration. As well, the constitutional framework has seen little change for decades and the outcome will be pivotal to our future.

I believe that an exploration of these parallels just might produce some keys to a more successful resolution of Canada's future.

The life insurance industry has been an important part of the Canadian economy since before Confederation. In those days, it consisted mainly of small branch operations of foreign companies. Today, we have a large number of dynamic Canadian companies that more than hold their own at home and in international markets. Through the decades, change and evolution have been pervasive.

For years, the financial services industries were characterized by unyielding pillars demarking each sector's sphere of operations. Institutions served their clients very well within fairly clearly defined boundaries.

However, with all pillars, the sands of time slowly erode foundations; bit by bit, the pillars begin to crack and crumble. This is a natural and inevitable process, which begins the moment a pillar is erected.

In our industry, the erosion resulted from rapidly advancing technology, intense competition and changing needs of consumers. With the passage of time, the pillars had become constraining boundaries instead of comfortable, protective borders.

Companies in all sectors of financial services were continually testing the limitations of their corporate powers as they

explored new markets. These activities did not reflect simply a desire for change for change's sake. They were responses to competition, to changing needs of customers and to developing technology.

At Mutual Life, we recognized years ago that customers had come to expect more from our agents than life insurance policies. A strong demand had developed for a wider array of products and services, utilizing more of the company's and the agent's combined skills and expertise.

The passage of the recent legislative package finally reflected this crumbling of the pillars. The reform process was not an easy or short path. It had been close to 60 years since federal legislation for insurers and trust companies had been given a systematic overall review. Also, although both the industry and the regulators recognized the need for change, the specific direction was subject to great debate.

A unified front was required for the life insurance industry. Given that all within the industry were pursuing somewhat similar goals, one might think that this would be a simple task, even with over 100 life insurance companies involved. But remember, we are all competitors, operating with different concepts of distribution, products and services, so developing an industry consensus was not easy.

From the outset, it was obvious that no one sector of the financial services industries would get everything it wanted. All the players — banks, trust companies and insurers — had to identify what were the crucial issues where they would draw the battle line, and those where they would be willing to compromise, if necessary. Until the end of the debate, each sector was continually faced with decisions to defend strongly or to concede specific points.

I won't go into the details of the issues on which the sectors differed; the important point is that reform was achieved through a tough process of negotiation, debate and compromise. The end result is a package of legislation with which we can all live. Each gained some new powers, but each had to forgo a few that were truly wanted.

It is natural to think that this new regulatory environment marks the starting point for the restructuring of financial services. This is simply not the case! In many respects, legislation is just catching up to developments that have already taken place. In most instances it has followed market forces, not led them.

Evolution will continue. Financial institutions will activate the powers granted by this round of legislation and test the newly established limits. Markets will continue to change and companies, if they are to remain relevant, will continue to transform.

There is a parallel here to our national debate. Canada's history has been characterized by change. In 1867, the nation's founders recognized the need for a framework for the country's development. The new nation had outgrown the limitations of colonial rule; the recognition of this fact gave birth to Confederation. I suspect that our constitutional debate began the day after that birth.

Over the years, the dynamics of change in Canada have been enormous. But, just as the life insurance legislation remained unchanged for so long, so did the constitution stay largely untouched until 1982. At that time, the primary purpose was a transferral to Canada of the ability to change our own constitution. It was not the intention to reconcile the differing visions of the country's future.

The current situation is much different. We are now being invited to redefine our future through constitutional change. It is distressing that this process is being greeted in many quarters with cynicism, whereas we should all be welcoming it as an unprecedented opportunity!

In the midst of the current recession, many Canadians are calling upon the government to set the constitutional debate aside and focus on our economic well-being. Remarkably, others would support the abandonment of the debate since, in their minds, the breakup of the country is virtually a *fait accompli* in any event.

It is easy to understand why our economic ills are first and foremost in the minds of most Canadians. We should not expect otherwise with 1.4 million unemployed and an astonishing 75,000 bankruptcies occurring in 1991.

There is a danger that we lose sight of the long term if we divert our minds to our short-term problems. We can take some solace in the thought that even this damaging recession will pass. Wealth does abound in Canada; we are very rich in natural resources. Despite the increasingly competitive environment, we continue to be a much desired international partner.

Overcoming both our difficult and vast geography and our unforgiving climate, our diverse population has generated one of the highest standards of living in the world. Observers come to Canada from all over, to learn about a social system based on genuine concern and care for all segments of the population, to learn about cities that work, to learn about electoral systems that are fair and about legal systems that are just. We can take comfort in our underlying wealth and pride in our democratic approach.

The growth and prosperity achieved by Canadians has been truly remarkable. Even more so when we realize that it has taken place in a constitutional framework that no longer meets the needs of modern society.

I alluded earlier to the slow erosion of pillars in the financial services field. The country has experienced a similar phenomenon. Our rapid growth and changing face have continually raised difficult issues.

Canadians have not always waited for federal authority to dictate the time for change. Growth and evolution are natural for any young nation. I don't believe that any Canadian wants to see that momentum halted by constitutional grid-lock or any other obstacle.

A renewed constitution will not be the harbinger of radical change for Canada; it will simply allow our evolution to continue. A constitution should provide a framework to meet future needs, not raise impediments to growth. Just as in the

financial services marketplaces, people, not legislative reform, initiate change.

So, how have we arrived at this apparent impasse? Why have we been unable to come to an acceptable and workable resolution of this issue?

Generally, Canadians are proud that there are two founding cultures in this country. Despite this, much of the divisive argument has related to questions of language, culture and the concept of a Distinct Society. These are fundamental characteristics.

There is no reason why they should be the nucleus of disagreement. In reality, Quebec has always existed as a Distinct Society within our borders. If we now choose to label and formally acknowledge this, why should it be viewed as reason to dismantle our country? It can't possibly pose a threat to the rest of Canada. Linguistic and cultural differences don't create barriers to our advancement and prosperity. They should not be reasons to go our separate ways.

To advance the debate, we must move beyond those differences that should be acceptable to most and that are not "deal breakers" in any event. We need to identify issues that could pose threats to our place among the nations of the world and see if we can find common ground.

In so vast and diverse a country, one might wonder if common ground exists; perhaps we are already on it and don't recognize it.

As one example of common ground, there seems to be a broadly held desire to build and maintain a prosperous country. We have a record of very impressive growth in the decades since Confederation. The initiative and drive that have fuelled this growth continue to be exhibited in all parts of this country.

Unfortunately, this will to prosper is sometimes hampered by an inconsistent application of powers by various governments. A major shift in powers from the Federal Government to the provinces has recently taken place. Ottawa has not

necessarily lost control of its areas of responsibility; rather, the importance of provincial jurisdictions has risen.

The provinces and municipalities together now account for the lion's share of public spending. This new financial clout has contributed to the larger leadership roles that many provinces now claim. One positive feature of this is greater recognition of the different needs of Canada's diverse regions.

On the other hand, those of us who conduct business in several jurisdictions see a serious negative aspect. As a federally chartered life insurance company, Mutual Life is subject to both federal and provincial regulation, so we come under 11 separate regulating bodies. The complications that arise from the web of regulations imposed by different jurisdictions are frustrating and unproductive. I know there are other industries that encounter problems more severe than ours.

With the shift of power to the provinces, harmonization becomes even more crucial than in the past. As political leaders wrangle with other unity questions, the prospect of attaining a workable degree of harmony becomes dimmer and creates a very real barrier to growth.

Effective management of the economy must be seen as a central issue in the constitutional debate. We are not just neighbours in this country; we are also business partners and each other's customers.

A strong and healthy domestic environment is critical to our success. We now compete with countries and blocks of countries that have unified their strategies to enhance their competitive strength. If plans come to fruition in Europe, financial services companies there will have their business and supervisory powers harmonized among all members of the European community.

How will we compete in international markets if our companies have to spend so much unproductive time and energy coping in the domestic market? The process is completely inconsistent with our common desire to prosper as a country.

Just as all Canadians wish to see the country thrive, they also show a genuine commitment to sharing that wealth. Time and again, we distinguish ourselves from our southern neighbours by our strong belief in social safety nets. Most Canadians accept a universal health care system as an essential part of Canada's social fabric; it forms part of the glue that holds us together.

Granted, our present system is not without its problems. But no one would suggest we scrap it. Instead, we join in common purpose to search for ways to improve what we see as an essential aspect of our way of life. Witness the recent meeting of provincial health ministers. Despite the fact that each province has its own way of dealing with health care, the problems were approached collectively and some common resolution resulted.

When the President of the United States recently dismissed the Canadian health care model as a "cure worse than the disease," Canadian political leaders of all stripes rose up to defend fiercely our system.

If Canadians can feel so passionate about our health care system, then we should feel equal passion for our future as a united country. I believe we have the capacity to rise above our regional differences and interests when the issues before us affect our shared goals.

It has often been said that Canada was founded on the principles of peace, order and good government. These principles are broadly shared and worth preserving. Canadians believe in the right of peaceful co-existence, undisturbed by violence and upheaval. When someone publicly suggested a few weeks ago that the separation of Quebec would likely produce armed conflict, Canadians expressed their disbelief and indignation. That is just not our way!

We continue also to be joined as a nation by a common respect for law and order. We cherish laws that protect the collective good and believe strongly in consensus as the preferred, if not the only way, to solve our problems. And as far as good government goes well, two out of three is not so bad!

Seriously, stable and responsible governments have been a strength on which we have come to rely.

Some of our outdated notions of what Canada is are crumbling and eroding with the passage of time. We can't allow the country to crumble along with them. As the various regions have grown and matured, relationships between them have changed as well. It would be fatal to dwell on our differences now, rather than search for workable and flexible relationships that respect each other's point of view.

Many of us have had occasion to petition or to lobby government for change. We pursue it aggressively and with conviction. It is difficult and costly, but it's a necessary process to go through. It forces us to question the status quo and our own motives. We stand back, pause and decide what is really important to us and our organization, what we need to keep and what we can let go. In the end, we usually have some accommodation that allows us to pursue our goals. The changes might not match our vision perfectly, but through compromise, they are usually workable.

Can we not approach our constitutional crisis with the same diligence and flexibility? Now more than ever, Canadians are speaking of the things that are important to them. There are even several encouraging signs of compromise; something that was conspicuously absent in earlier debates. The Distinct Society clause, so vehemently rejected during Meech Lake, is now seen as a possible viable solution. We need more of this kind of acceptance from all sides, if we are to reach a successful conclusion.

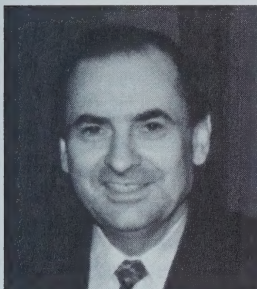
As a businessman who is more inclined to action than to talk, I anxiously await the end of the debate. Too much time and energy have been spent trying to determine which has priority — the constitution or the economy. The arguments mirror each other. The constitution can't be settled until the economy is stable; the economy will never be stable until we have an effective constitution. Others debate differences that are not critical to achieving our goals.

These discussions will be as productive as debating whether the chicken or the egg came first. They may be interesting intellectual exercises, but they produce no solution. We don't have the luxury of engaging in them any longer.

The recent constitutional conferences have shown a fresh willingness to resolve the issues. Hardline views are softening. That national characteristic of which we are so proud — tolerance — is showing itself more frequently. Perhaps, the obstacles and pillars separating us are truly crumbling. If so, we really do have a unique opportunity now to redefine our nation and to ensure its continued prosperity.

I hope, for the sake of all Canadians, that we grasp it firmly this time.

The appreciation of the meeting was expressed by Roland Lutes, President, The Canadian Club of Toronto.



February 28, 1992

At a joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

The Hon. Don Mazankowski

Deputy Prime Minister and Minister of Finance

THE FEDERAL BUDGET: STAYING THE COURSE

Introduction: Roland Lutes
President, The Canadian Club of Toronto

The subject of today's address is known by all of us.

Our speaker today has built a political career that does credit both to himself and the democratic process of our country. A native of Viking, Alberta, he was a farmer and local businessman before becoming a Member of Parliament in 1968.

He has held a number of cabinet portfolios and very responsible jobs. He has been Minister of Transport, President of the Privy Council and Treasury Board and Deputy Prime Minister.

Just 11 months ago he was appointed Minister of Finance. He is known and respected throughout this land. Ladies and gentlemen, The Honourable Don Mazankowski.

Don Mazankowski:

Well thank you very much. Distinguished head table guests and members of The Empire Club and members of the Canadian Club, guests and ladies and gentlemen.

I'm delighted to be here, and very pleased to have this opportunity to discuss my very first budget with such a dis-

tinguished audience. I was going to say this was my very first speech outside the House of Commons on my budget. I made one this morning so this is the second, to a very distinguished group of Canadians, the membership of The Empire Club and the Canadian Club.

When I set out to prepare this budget, as you know, the background was one of uncertainty and a fair amount of difficulty and a lot of concern that prevailed across the country. So I decided to consult in a very broad manner, right across the country, with Canadians from every walk of life. And I tried to do it in a way that we could achieve some consensus.

I think, traditionally, it has been the practice of finance ministers to meet with some individuals on a bilateral basis. On this occasion we chose to bring people together from all walks of life. Farmers, fishermen, manufacturers, retailers, social groups, women's representative groups, disabled and anti-poverty groups — and it was really quite a fascinating experience.

I can remember one of the very first meetings we held here in Toronto. We had the chairman of the anti-poverty group squaring off in a very interesting dialogue and debate with a representative of the Canadian Manufacturers' Association. And it was disciplined, it was productive and, as we went through the process, we developed a clear consensus. I guess, in the eyes of some, we had the spenders and the wealth creators all in one room, and there wasn't a whole lot of difference when we got right down to the bottom line.

And so it was in that context that we set out to see if we could find some consensus emerging across the country and, indeed, that is precisely what happened. And some of you in this room may very well have participated in some of those sessions. I know that there was some degree of skepticism because it had broken with tradition; I think after it was all over we felt it was very worthwhile.

And one point came up, and that was this. They said: "Well you're out here consulting with us today, but how do

we know that you're going to implement anything that we're suggesting?"

And I replied: "I'll come back and see you after I produce the budget and we'll talk again."

And that's what I'm going to do next week. So I'm going to be held accountable to the people that made submissions to me and I'm going to go out across the country and meet with basically the same groups in the same manner that I did in the preparation of the budget.

I must say that I was inspired and very deeply impressed by a number of things. But particularly the understanding and the limited choices that we have available to us as well as the deep, deep concern. And the recognition that there really were no quick or easy fixes and there was a very deep and underlying concern over the burden of debt at all levels — the burden of debt at the Federal Government level, at the provincial government level, at the corporate level and the household level.

I noticed concern over those who were being laid off. There was concern and, indeed, a great deal of sympathy directed to those who were hurting. There was concern over the fact that what we were lacking was a matter of confidence at both the consumer and the business level and we had to do something to overcome that confidence problem.

There was concern expressed about the social safety net. And the fact that the cost of providing that social safety net and Medicare was indeed rising, and concern about finding ways and means of paying for it and ensuring that we are getting adequate value for the dollars being spent.

The disabled attended literally every meeting. And they said: We've made some progress but we want to be more fully integrated as productive members of Canadian society, so reduce the barriers and allow us to be more integrated in the thrust of the Canadian economy."

And then we heard a lot about government. Canadians across the country were telling us they had to restructure, had to downsize, had to adjust, had to get rid of the frills, had

to reduce the cost of doing business. They said they hadn't seen government, we haven't seen government engaged in that downsizing and restructuring.

And you've got a window of opportunity and you better start doing it and you better start doing it fast, because we're sick and tired of paying for more and more and more government. We're sick and tired of more and more agencies, and boards and advisory groups and commissions, and you've got to start scaling it down. But throughout it all there was one common theme. And that was essentially to stay the course, cut the deficit, reduce the burden of debt.

You've got to bring down the cost of government, the size of government, and you've got to do it in a way that can bring some renewed confidence and some life back to the economy.

And so today I want to highlight the steps that we are taking in this budget to instil some hope, a new sense of direction, to restore consumer and business confidence in Canada's prospects for growth and increased prosperity and competitiveness.

And we also have to talk in terms of how we will be able to transform an essentially resource-based economy to a more value added and information based economy. And I want to describe, as well, how this action works within, and not against, our continuing commitment towards deficit reduction.

In this budget we chose to reduce the tax burden on Canadians and on an important segment of Canadian business, and we chose to do it by cutting government expenditures and by reducing the deficit. This balanced approach was what Canadians wanted and it is what I believe our economy needs.

It means taking concrete steps to give Canadians added reason for renewed confidence, but it also means making tough and difficult choices. And this is really what the budget is all about, making choices and sticking with them. And I can tell you, ladies and gentlemen, it's a heck of a lot tougher

implementing the measures that are outlined in the budget, much more difficult than simply spelling them out.

And the painful process will be taking place over the next number of years. And I know that there are those who would have taken a different path and I respect their view, but that path would have cost the taxpayer more — both the corporate and the individual.

It would have been a path that would have driven up the deficit in an attempt to spend our way to prosperity and it would have been a path that might ease some of our problems today, but that cared nothing about the future.

That, ladies and gentlemen, is a path that I and my colleagues in government could not accept and a path the majority of Canadians would not accept because it is fundamentally wrong.

And so the budget I introduced on Tuesday, I believe, takes the realistic path. One that is prudent, one that is socially responsible and one that is economically sound. The budget gives Canadians concrete reason, I believe, for optimism in the coming year and beyond.

The personal income tax will be cut one per cent this July and another one per cent in January. This will put \$500 million back into the pockets of Canada's nearly 15 million taxpayers this year and more than \$1.2 billion next year. We announced the home buyers plan allowing Canadians to use funds in their RRSPs to purchase a home.

This one-year program will help Canadians take advantage of today's mortgage rates and ensure growth in the housing sector and that will complement the actions that we took earlier in reducing the down payment under CMHC-guaranteed mortgages to five per cent. Ten years ago today, the five-year mortgage rate was 19.5 per cent, today it's 9.75 per cent.

We're also introducing a series of measures to help Canadian manufacturing and processing firms and their employees to better meet the global forces of competition. This sector directly accounts for about one-fifth of the Canadian economy, one-fifth of Canadian jobs. Almost one-

quarter of the economic output is here in the province of Ontario, and it is really the driving force behind the exports we rely on as one of the world's greatest trading nations.

Forty per cent of the production in manufacturing is exported.

And it is this sector that is most highly exposed to international competition and price pressures. So we are taking very carefully targeted action to help it meet the globalization challenge. The marginal tax rate for such companies will be reduced two percentage points to 21 per cent over the next few years.

The capital cost allowance rate for manufacturing and processing equipment has been increased from 25 per cent to 30 per cent effective the day of the budget, and this will make it more attractive to firms to invest in new equipment and to enhance productivity. Taken together these proposed changes will lower the marginal effective tax rate on an investment in machinery and equipment for a large Canadian manufacturer by nearly three percentage points, a full percentage point lower than the tax rates on the comparable new investment in the United States.

As well, we are prepared to reduce withholding tax on direct dividends to non residents to five per cent from the current level of 10 per cent. This step, combined with the drop in the manufacturing and processing tax rate, will end the competitive disadvantage that we face in attracting and keeping business operations here in Canada.

Overall these tax measures will place Canada in a much more competitive position as companies restructure and make their plans for future production. This will help preserve jobs and strengthen the private sector's ability to create new ones. And we hope and pray that provinces will not move in and take up this slack. We hope and pray that if they do anything, they will act to complement the measures that we have introduced in this budget.

As well, we are establishing a short-term small business financing program to help firms with temporary financial diffi-

culty. And the ceiling for loans under the Small Business Loans Act will be doubled permanently from \$100,000 to \$200,000.

We plan to streamline the administration of the scientific research and the tax credit system, already one of the most generous amongst the industrial nations of the world. This will have the effect of enriching our support for R&D by a further \$230 million over the next five years.

We will revise the lifetime capital gains exemption to restrict its application regarding real estate. This will encourage Canadians to direct financial resources towards more productive investments that boost our ability to compete globally. But the \$100,000 limit itself will not be changed, principal residences will continue to be exempt, and the \$500,000 exemption for small business and farms continues to remain in effect.

As well, we propose to encourage larger pools of venture capital through labour-sponsored venture capital funds and, in this particular case, will be increasing the investment tax credit for these from \$700 to \$1,000.

We will also take the initiative to devote greater effort to developing Canada's greatest and most powerful resource, and that is our human resource, by continuing our support for labour market adjustment and for skills training. Such activity, we believe, is absolutely vital in helping Canadians meet the challenge and seize the opportunities of a changing global economy where knowledge and information are the keys to success.

That is why the federal funding here will exceed \$3.4 billion in 1992-93, an increase of \$300 million over the current fiscal year and nearly 50 per cent higher than provided in the 1990-91 fiscal year.

Ladies and gentlemen, the well being of Canadians and our national ability to assist those in need depends directly upon our building the competitive market-oriented economy for the private sector to succeed.

This also means that we must, as I said earlier, help Canadians adjust and adapt to a newly emerging economy, a global economy that promises every country new opportunities in filling consumer demands, in every corner of the world.

We've often heard that expression, think globally but act locally, and I think that really applies because it is a changing world. We really are going through an economic revolution. And so the 1992 budget adds to the foundations that are already in place in facilitating our ability to make that change and to adapt to that change.

It invests in private sector competitiveness in a way that will help preserve existing jobs and encourage the creation of new ones. The approach that we are taking will create some 500,000 new jobs by the end of 1993 and, by 1997, it will boost employment by 1.5 million. But we have always recognized that good economics and good social policy go hand in hand. We believe very firmly that you can't build long-term economic prosperity at the expense of today's children.

And it is in that connection that the Minister of National Health and Welfare has recommended a major reform of our existing system of child benefits. Under the proposal outlined by Mr. Bouchard, child benefits will be completely restructured, simplified, better targeted and enriched.

Now I know that there are some who will see in this the issue of universality. But the issue should be very clear. It's about putting an extra \$400 million a year into the hands of families and children who need it, and doing it in a simpler more effective targeted way.

Mr. Chairman, altogether the budget actions which I have outlined, we believe, will improve the economic and social well-being of Canadians within a responsible and prudent plan. The fiscal challenge facing government has been a very difficult one.

The deficit has been under pressure, first from an inflationary environment and now from a weaker than expected

economy. The recession and the slow rebound have meant substantially lower tax revenues.

But we also have to recognize that confidence is weak and there is widespread concern about Canada's competitiveness. That is why we have responded in this budget by achieving an effective balance between these two priorities — getting the deficit down sharply and providing a reduction in the burden of taxation.

We recognize that while we may have several layers of government, there is only one layer of taxpayer and they have expressed very clearly that they are tired of increased government spending that has squeezed family and business budgets to the limits of endurance. They want relief.

And to pay for the net reduction in the Canadian federal tax burden there will be substantial reductions in government spending and a streamlining of government operations. Over the next five years, there will be some \$7.3 billion cut in Federal Government spending. Defence spending will be cut by \$2.2 billion over the next five years.

The non-wage operating budgets of government departments will be cut by three per cent, which will save \$150 million next year and \$800 million over the next five years. Forty-six separate government agencies will be affected through streamlining, including 24 agencies, boards and commissions that will be wound up, merged, postponed or disintegrated.

First-class travel for MPs, Senators and senior public servants, which already has been restricted, will be eliminated entirely. Business-class travel will be tightly controlled. International travel and the size of delegations will be reduced.

The government will save \$75 million annually or \$375 million over five years by reducing communications budget. A no-frills publishing policy will substantially reduce the number of government publications.

Substantial savings will also be realized through the continued privatization of Crown corporations that no longer

serve public policy objectives and we will step up our asset disposal. And the Prime Minister and all Ministers, who currently have their salaries frozen, will have their ministerial salaries cut by five per cent for one year beginning April 1st.

So as you can see, the equation is quite simple, we're cutting spending in order to cut taxes. And the bottom line results of that equation are equally clear to the federal deficit. Firm consistent policies have enabled us to maintain a tight control on federal spending and to make faster than expected progress in reducing inflation and interest rates and to respond quickly to the upward pressures on the deficit as a result of the recession.

We will hold the deficit to \$31.4 billion in the current fiscal year and it will decline by \$4 billion to \$27.5 billion in 1992-93, one of the largest year over year declines in the history of Canada, and then it will decline by another \$5 billion to \$22.5 billion in 1993-94.

We expect that by 1995-96, financial requirements will be eliminated and we will then begin to reduce our outstanding debt in the financial markets for the first time since 1969-70.

Mr. Chairman, I know that there are some who will be disappointed that our fiscal progress is not coming faster. But I ask them to look at the fact that despite the size of our debt, the Canadian fiscal outlook today compares very favourably with other G-7 countries.

As a matter of fact, we have cut the deficit to GDT ratio in half over the last six or seven years, 8.7 per cent to 4.6 per cent. When we look at what has happened in the United States we find that their deficit to GDT ratio is going up and ours is coming down.

There's another point that I would like to make, and that is the fact that there are still a lot of Canadians who want to have it both ways. They want government to cut spending, just as long as it doesn't affect them. It happens day after day after day, and I ask all Canadians to recognize that cutting government spending is not an easy task. We are human and we don't like being unpopular.

But the fact of the matter is that we must because Canadians, by and large, are demanding it. And there are no easy or painless options. If we want to get the deficit down, then tough decisions need to be taken and we've made them and we're going to continue to make them. And we need your support.

As we continue to make progress against the deficit and the debt, we will achieve a crucial objective and that is to increase our capacity to cut taxes further and to make strategic investments in the economic and social development of Canada and its people.

Now the budget is a bit more than just the specific actions that I've outlined. It's about charting a course for our future, a renewed prosperity. As I told Parliament on Tuesday, in consultations leading up to the budget I was inspired by the realism of Canadians and their willingness to contribute to the building of a stronger and more productive economy.

They understand the need to increase our competitive ability, they understand the need to reduce our barriers to trade and growth, and they understand the need to become more creative, to encourage integration and risk-taking to unleash the entrepreneurial spirit. They firmly agree that we need greater co-operation and co-ordination between the different sectors of the economy and society and between the different levels of government.

The challenges ahead are complex, far from certain but full of opportunity. By working together on all our national challenges, I believe that we can harness our skills, our knowledge, our initiative and our resources and I believe that we can achieve the model of excellence that will put us in the forefront of our competitors.

And it will be the human initiative, that human drive that will make it happen. I believe that this can occur only if governments create a positive and competitive environment within which to function. A less burdensome environment, a less regulated environment.

My friends that's what we're trying to do in this budget and that's what we're going to continue to do. We're going to try to continue to improve that climate of opportunity and I believe that with that combination we will indeed produce the goods and services that will allow us to compete with the best in the world. This will instil not only a sense of hope, but indeed a sense of pride. Pride in being citizens in the best country in the world. And pride and satisfaction in the fact that you will build for our children a better Canada than that which we inherited. Thank you all very much.

The appreciation of the meeting was expressed by John F. Bankes, President of The Empire Club of Canada.

In the Carboniferous Epoch we were promised
abundance for all,
By robbing selected Peter to pay for collective Paul;
But though we had plenty of money, there was nothing
our money could buy,
And the Gods of the Copybook Headings said:
'If you don't work, you die.'

Rudyard Kipling

When Harold Holt was named Finance Minister of Australia in 1959, the Canadian Minister of Finance at the time, Donald Fleming, sent him a note, welcoming him to the Finance Ministers' club. The note said:

You have now joined a very select company indeed —
men with worried looks, struggling with budgets,
resisting plans for more expenditures, their shoulders
daily sagging further under the load.

Minister, on the occasion of your first budget, you seem to be bearing up extremely well!

Following the example of your predecessor, you have ignored calls to increase spending as a means of easing the recession. Instead, according to your message to us today, you have concentrated on reduced spending and modest tax breaks (both personal and corporate), along with plans for more privatization, less government and better public service.

It has been said that: "A budget is a mathematical confirmation of your suspicions." Human nature does not relish having our suspicions confirmed and being told the harsh realities of life.

Minister, we Canadians nevertheless respect your sense of direction and your firm hand at the helm. Emphasizing the need for realistic solutions and the necessity of avoiding "quick fixes," you have presented an approach described in the budget documents as "responding with leadership and action."

The audience reaction today to your message speaks loud and clear. Your focus on three overriding objectives:

- rebuilding consumer confidence
- maintaining the confidence of financial market participants, and
- facilitating the ongoing restructuring of the economy has been acknowledged and warmly received.

Looking beyond the present budget debate, Canadians having confidence in our economic future is an essential condition precedent before we can achieve stability in our political future. As pointed out in a recent publication by Ernst & Young, there is reason to be optimistic. Canada continues to prosper as one of the world's recognized centres of political and economic stability.

This does not have to be our winter of discontent. If Canada looks dark in the nighttime of its political troubles, it will be ever so much brighter at dawn! Our country has been embroiled in a crisis of confidence for too long. It is time to say "yes" to Canada!

Sir, it is customary for the Minister of Finance to address a joint meeting of the Canadian and Empire Clubs following the tabling of the budget in the House. The tradition was started two decades ago by the Hon. Donald Fleming. The Canadian and Empire Clubs are honoured to have our platform as your podium for this important meeting. And please accept our thanks for responding to questions from the audience.

Minister, we invite you to join with us again next year on the occasion of your second budget. By then, we hope that the Canadian economy will have recovered and that you will have been able to afford a new pair of shoes!

Thank you.



March 5, 1992

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

Helen Sinclair

President, The Canadian Bankers' Association

BANKING AND THE ENVIRONMENT

Introduction: John F. Bankes

President, The Empire Club of Canada

O, that *moral* Science were in as fair a way of improvement, that men would cease to be wolves to one another, and that human beings would at length learn what they now improperly call *humanity*.

Benjamin Franklin

Some call it the *Exxon Valdez* effect. When the *Exxon Valdez* oil spill took place in Prince William Sound, three years ago this month, the televised image of dying oil-covered otters and seabirds was hard for people to erase from their minds. And it has proven to be hard to erase from the courts, with more than 160 lawsuits brought by individuals, businesses and governments.

Eleven years before *Valdez*, a much larger oil spill took place off the coast of Northern France. The full legal liability is still not settled.

As soon as one of these troubling images fades, another seems to take its place. Each new image generates many new questions. What does it mean, for example, that children playing in the surf must dodge not only the occasional jellyfish but also the occasional hypodermic needle washing in with the waves? Needles, dead dolphins, and oil-soaked birds — are these the signs that we are

now standing on some new beach, facing dangers beyond the edge of what we are capable of imagining?

U.S. Senator Al Gore of Tennessee recently responded to these questions, and to the global destruction taking place on an almost biblical scale, by stating:

With our backs turned to the place in nature from which we came, we sense an unfamiliar tide rising and swirling around our ankles, pulling at the sand beneath our feet. Each time this strange new tide goes out, it leaves behind the flotsam and jetsam of some giant shipwreck far out at sea, startling images washed up on the sands of our time, each a fresh warning of hidden dangers that lie ahead if we continue on our present course.

Although oil spills are among the most highly visible examples of environmental degradation, the problem of environmental liability is not restricted to oil companies. It's a concern for any company that develops, manufactures or transports goods.

And in some jurisdictions, liability provisions catch almost any company remotely involved in an environmental transgression — even, in some cases, the transgressor's bankers.

This afternoon, we will have an opportunity to hear about the issue of environmental liability from the viewpoint of a sector that has a great deal at stake, and an important role to play — the banking industry.

Helen K. Sinclair has been President of The Canadian Bankers' Association for more than two years; in that position, she succeeded Bob MacIntosh. (You will recall that Dr. MacIntosh spoke at this Empire Club lectern a few months ago.) Ms. Sinclair is both the first woman to serve as President of the CBA, and the youngest person ever to hold that position.

Prior to taking over the leadership of the CBA, she held several senior executive positions with The Bank of Nova Scotia, including Vice President and General Manager of planning and legislation.

Ms. Sinclair has been active on a number of public advisory boards, including the Financial Services Sectoral Advisory Group on International Trade, the advisory board of the Financial Services Institute, and the policy analysis committee of the C.D. Howe Institute. In addition, she is a former director of our sister organization The Canadian Club of Toronto.

Finally, congratulations to Ms. Sinclair are in order. Last evening, she was awarded the Women Who Make a Difference Award by *The Financial Post*, *Toronto Life* and *The Bay*.

Ms. Sinclair's message on the environment today is very timely. In less than three month's time, more than 20,000 participants, including global-warming visionaries, worldwide wealth redistributors, and environmental consultants, will assemble in Rio de Janeiro for the UN Conference on Environment and Development, or the Earth Summit.

The meeting, described in a recent *Wall Street Journal* article as a "phantasmagorical carnival," is the successor to the UN Conference on the Human Environment held in Stockholm in 1972, and it is organized by the same man, Canadian Maurice Strong.

The goal of the Summit: To agree on a set of principles and conditions that will set the world on a new environmental course and, perhaps some day, eradicate the kind of pollution symbolized by the *Exxon Valdez* disaster.

The stakes are high. This massive exercise in global consciousness-raising on the subject of the world's environment will hopefully live up to its billing of saving the planet for future generations.

In the context of the Earth Summit, Canadians have long regarded themselves as environmental good guys: the inventors of the Blue Box and the people who prodded the recalcitrant Americans into controlling acid rain. But the spotlight must not shift from Canada's burgeoning accumulation of environmental sins.

We must continue to focus on the human profligacy that is destroying or damaging our Canadian ecosystems — from oceans and polar regions to our forests — and the remedial steps to prevent further environmental degradation. Accordingly, today's talk on environmental liability is timely and appropriate.

Members and guests of The Empire Club, I ask you to welcome a "woman who makes a difference" — Helen Sinclair.

Helen Sinclair:

Thank you very much John and good afternoon ladies and gentlemen. You know John, I used to call your sister organization, when I was on its board, the other place. I'm no longer a director and so I'm now able to make some of the comparisons which I think should be made between the two clubs and to speak out about some of the things I like better about The Empire Club. One of them is that you sing the National Anthem. Another positive feature is that the padre blesses the guest speaker. If The Empire Club could arrange a similar blessing from my member banks — who are represented at

the head table today — I would be prepared to label this Club “nirvana”!

If this were the 1981–1982 recession I would be drawing comparisons between where we were in that economic cycle with previous economic cycles I have experienced in my business career. But this isn't the 1981–82 recession; it's the end, hopefully, of the 1990–91 recession, and I could also draw some of those comparisons.

I could point out some similarities, for instance the fact that unemployment, tracked not dissimilar courses in this and the previous recession. The fact that profits dropped by approximately similar percentage amounts.

I would point out that GNP dropped more in 1981–1982 than it did in this recession but of course the distribution drop has been quite different and the recession has been more severely felt in central Canada this time around.

On the bright side, I would point out that inflation and interest rate performance through the recession has been much more favourable this time around than last. These differences, however, disguise the fact that this has been a recession with a difference.

And the reason for that has been multifold in the fact that we are going through some very major structural changes, that overlie the recessionary impact.

We've had major losses in our manufacturing sector and we've become prone to discussing it as permanent, as opposed to temporary, job loss. We know there's been an awful lot of rationalization at head offices and a certain movement of those offices from Canada to the United States. We talked about the uncertainty of the recovery this time around, I think, more than we did last time.

And that uncertainty ties back to certain fundamentals about our economy, about the mounting debt, about the question of competitiveness in our industry

It's also a recession where we are focusing, as we come out, on major spending priorities perhaps more than we did last time. The debt service — and we have quantified what

that will mean in terms of its command on our resources over future years.

The same with health, which is largely driven by the demographics of our country. And, of course, as you have indicated in your opening remarks, John, there is the issue of the environment.

Some may not view the environment as having the same exigencies on our spending pattern as the national debt or as health. But if you're a politician and you're looking at the minds of the electorate, it certainly does. It was striking, I think, that at the very peak of the recession, 76 per cent of all Canadians said that environment remained a priority for them in terms of the allocation of the country's resources.

My theme today will be to say that I think we have to be very smart in dealing with this issue, or we will achieve less than what's achievable and we will risk doing major harm to our ability to return our economy to the health we're all looking for.

Now, many people, when we talk environment, ask what do bankers know about the environment. What the public thinks of when they think environment is incidents such as Love Canal in the early 1980s, 221,000 tons of waste and toxins dumped into the Niagara River. More recently, the public living in Ottawa are thinking of Manotick, an outlying community of that city where over 70 groundwater wells are contaminated with drycleaning solvents and benzene.

The water is not suitable for drinking and showering. It has to be brought in and that community knows that it needs an entirely new water system. Now those situations even affect bankers. Bankers, after all, do live in those communities and the health issues which they present affect us as individuals as much as anyone else who lives in those particular locations.

And it also affects us professionally, and this is what I want to deal with today.

It affects us professionally in two very fundamental ways. First of all, and I will continue with my examples, a mortgage

on a residential property in Manotick or Love Canal is simply not the same as another mortgage. The value of property for most communities declines when the contamination becomes known and the servicing of the mortgages by the occupants may become an issue if the economic viability of those communities comes into question.

Secondly behind the residential properties we have the polluters themselves. Loans to those polluters are doubly risky. They're risky because the businesses themselves are in danger and the bank loan is at risk when the business is in danger. And there is a question, of course, of who is going to pay for the cleanup should the polluter be unable to do so. Now, under Ontario law, and the law of other provinces, there are some differences, but law in Canada is evolving along similar lines across provincial boundaries. Those who control a source of contaminate are potentially liable for cleanup.

A drycleaner who may have dumped cleaning solvents into the city water supply is liable as long as that drycleaner is in business. Therefore, a loan to that drycleaner is risky. A mortgage securing the loan can be outright liable because the lender may be on the hook for the cleanup if it comes to control the business, for example, by taking over the business as part of an insolvency proceeding.

Now I don't want to cast this as a drycleaning issue, obviously it isn't. Nor is it really a natural resource issue.

The issue is really that we have believed for the past 100 years that we, as a country, hold a limitless supply of fresh water, fresh air and new frontiers and that it doesn't matter if our relatively small population uses our soil, our lakes, our rivers, and our air as garbage sites.

What we have as a legacy of our past 100 years of history is a large inventory of environmental damage coming from a wide cross section of Canadian industry. From large resource manufacturing and processing firms — pulp and paper, mining, steel, oil and gas sectors — and others from small

business, drycleaning, photography, scrap metal, gas resources.

The issue has really come to a head during the recession because what we have found as bankers is companies weakened by the recession. As we and governments move in to examine the situation, we are finding the properties underlying most businesses polluted, and liability, therefore, becomes a major issue. Kemtec is one such example. What you have there was a petro-chemical subsidiary of Lavalin, about \$65 million in loans from five lending institutions, four of which are my members.

When the company became insolvent, the lenders were advised by legal counsel not to take control of the inventory because it might be deemed, under Ontario law, to be taking control of the contaminants. The lenders walked from the inventory and the recovery on the loans was in the range of 15 per cent. Now there are many, many potential Kemtecs in this country and many many potential similar lose-lose situations.

What you have is a company which was insolvent and people who have lost their jobs. You have bank loans which are not repaid. You have a cleanup which doesn't occur and ultimately, in most situations, you have a property which is simply abandoned and which eventually reverts to government when taxes are unpaid. It's not just banks. It's pension funds, who happen to hold in their portfolio large amounts of real estate secured assets. It's worker buyouts, and I point to Algoma. If you looked at the fine print in the newspaper last week on the agreement on Algoma, there was a statement by the company, to the effect the government had agreed to grant certain waivers, indemnity and exemption. I suspect that some of those waivers, indemnities and exemptions are in fact waivers with respect to the environmental liability which the workers who are effectively buying out the company, would otherwise carry.

I think the liability issue may be most particularly severe for our municipalities who have an extremely difficult chal-

lenge. A situation with a development, which has been in the press of late, is a very good example. What you have there is a low-cost housing development initiated in 1988, designed to create 7,300 units of housing. But major contamination was discovered on the site, formerly industrial land. The discovery of contamination led to many stages of environmental assessment, contributed to major delays and, of course, to mounting consulting costs.

The estimated cost to completion is anybody's guess, but from the numbers that I've looked at, I would suggest that they have doubled in the four years since the project was first announced. And of course a very large portion of the over-run is tied to the environmental assessment. The estimated cleanup costs run between \$160 and \$200 million. And there are additional interest charges incurred because of the delays as the environmental risk assessment has proceeded.

The risk, or the loss, in this situation is that a low-cost housing development becomes, at best, a high-cost housing development. You have very uncertain liability for the city, which faces very fundamental decisions. For instance, how clean is clean if it decides that it wishes to clean up the site? Where can it turn if it decides the site cannot be cleaned up?

It's not just Toronto. I was in Saskatchewan last week and I heard about a very small community which had bought out an old gas bar, two tanks underground. It was discovered that the tanks had been leaking gasoline into the soil and the cleanup cost in that situation had been estimated at \$500 thousand, a major bill for a community of that size.

What is very important at this stage, I think, is that we stop stumbling along the way that we have been, that we get a handle on the problem. In my industry, we have to delineate fairly clearly between the problems of the past, the inventory of contamination we have built up in our past 100 years of history, and the potential problems of the future.

There are many issues surrounding the problems of the past. One key one is who pays for the cleanup. There are many candidates; they include government, a super fund, a

solution which has been followed in the United States, a solution involving the levying of taxes on businesses and the creation of a fund to support cleanups, and third parties, which I call "deep pockets," those are the likes of our industry.

Now if deep pockets — deep pockets, by the way, include workers, they include pension funds, they don't just include banks — are to pay, I think we have to think very carefully. Third-party liability, as I hope my examples have illustrated, have caused lose-lose scenarios. In the short term, lenders will walk away from the very big problems where the estimated cost of cleanup exceeds the estimate of realization on the property.

In the longer term, and I don't think we've seen the longer term yet, the supply of capital for a significant number of borrowers will dwindle if third-party liability is to be the order of the day.

Let me move on to talk about managing the future because I think that's a very different exercise and it's one that's aimed at prevention rather than cure. It seems to us in our industry that what we need desperately, if we are to manage the future and avoid the problems of the past, is a large set of standards. We need audit standards for those who do environmental assessments, and for people such as ourselves we need new diligence standards.

What we're talking about is assigning responsibilities between various sectors of society. I think if we're going to arrive at standards which make sense, we're going to have to go through a process of consensus between the private and the public sectors which will involve sorting out the jurisdictional fragmentation that we face in this country.

It's not just a question of a federal department of the environment and 10 provincial departments of the environment. The Crombie Commission on the waterfront reported that it had identified more than 80 agencies having some role to play in the management of our waterfront. Now what is the banks' role in this process of establishing standards? We play

a role in having the limitations on our liability for cleanup tied to the due diligences which we exercise in granting loans and in managing our general lending responsibilities.

We effectively have, over the course of the past year and under the stewardship of Bill Brock, developed in the industry a set of standards for lenders. They involve general evaluation when new loans are made. They will involve, for loans which are deemed to be riskier, extensive audit, searches of property title, samples of soil, water and other substances found on the property.

They involve the taking from clients of a significant undertaking at the time the loan agreements are signed. Those undertakings might include an agreement to give the bank, on a regular basis, the results of environmental audits done on the property. They might include an undertaking not to use the property for purposes other than those stipulated in the loan agreement. And the banks' obligations also, include standards for monitoring the loan to ensure that the client's undertaking has, in fact, been lived up to.

Now we are very conscious in our industry that we're walking a fine line in establishing these standards. We will be seen by some as offering a private market solution to pollution. But we will be seen by others as restricting credit to an economy in recovery. Inevitably the cost of implementing these standards will be reflected in the cost of borrowing.

That is one of the prices we will pay in the years ahead for a cleaner environment. Governments will greatly influence or balance the act by the decisions they make. And I think it's fair to say that a world of unlimited third-party liability will not be hospitable for Canadian industry seeking new capital.

On the other hand, a world where liability is defined, as mitigated by the diligence with which we monitor our loans and our customers, will be much more workable. I think it's important that I not close with the message that the management of the environment is no more than a new cost centre for an economy recovering from the recession because there's a much rosier picture.

I always promise Michael MacKenzie when I sit down with him or talk to him on the phone, that there will be a good-news story in the course of our meeting. Here it comes Michael.

There is a rosier side and the rosier side is a whole new industry lurking in the shadows. An industry which can boost our domestic economy, provide a great source of export and, at the same time, enhance our ability to preserve our environment. I think the challenge is to make this happen. Suppliers of capital need to be reassured that they won't be left with unmanageable liability should there be hiccups along the way.

I want to leave you with a short description of what might be one of these ventures. It comes out of a trip I made to Saskatchewan last week, and it involves a development in Lake Saskatchewan, which holds a very old uranium deposit. I'm told it's 1.3 billion years old, in a very unique geological formation.

The formation of natural vaults, a group of entrepreneurs has decided, may provide very key information on storage for nuclear waste. If the project were to be successful, you would have the rental of uranium rather than the sale of uranium and the rental price, from the information I've been able to see, would be 10 times that of the sale price. Uranium is selling for about \$10 a pound today, but the price of rental would be \$100 a pound and, of course, the difference represents value of safe dumpage of the waste.

I think it's the first commodity in the world, Michael, where your cost of rental will be substantially greater than your cost to purchase, and that is my good-news story. Thank you very much.

The appreciation of the meeting was expressed by Catherine Charlton, President, the Charlton Group, and a Past President, The Empire Club of Canada.



March 11, 1992

Barbie Casselman

Nutritionist

UNDERSTANDING HEALTHY NUTRITION

Introduction: John F. Banks
President, The Empire Club of Canada

There is no real excellence in all this world which can
be separated from right living.

David Starr Jordan

The humourist Irwin S. Cobb once said that he wished his ulcers and his appetite could get together on a mutually satisfactory diet! If he lived today, Cobb would have available to him a lot of dietary information, opinions and guidance from nutrition counsellors — whether they are called nutritionists, dietitians or diet counsellors.

The relationship between an individual's diet and one's overall lifestyle is certainly not a new observation. As the French physiologist and gastronome Anthelme Brillat-Savarin said more than 150 years ago: "Tell me what you eat, and I will tell you what you are." From this old nostrum has evolved the more current maxim: "You are what you eat!"

Or, as pointed out in a recent *Globe and Mail* article by entertainment lawyer John Riley: "You are what you have been forced to eat." How many of us suffer from the psychological torment inflicted upon us as children in the name of "nutrition"?

My mother, realizing that "It's good for you" had no relevance to a child, tried a number of alternatives while holding in front of my sealed mouth a spoonful of what looked like mashed corn niblets in mud. She would say: "Here comes the airplane with Daddy. Open the airport and let him in. You want Daddy to land safely, don't you?"

It was a tough call. I loved my father, but having him re-route to Buffalo was better than eating this muck. Mom would then turn up the pressure a notch. "Better hurry, the plane is running out of fuel." This was a lot of responsibility for a youngster — to be the cause of the worst aviation disaster in history.

Inevitably, I granted runway clearance and swallowed the "flight." On and on it went, my father returning by every mode of transportation imaginable: trains, boats, horseback, skateboards, dogsleds — each time with his life hanging in the balance! Many of you, I am certain, identify with this age-old ritual.

What is new in the area of nutrition and dietary counselling is the activist approach that we are currently seeing. Books, television programs, newspaper columns and videos are now available to help people plan their diet with the emphasis on maximum nutrition. We are seeing the evolution of a form of "mass nutritionism" — a growth industry — at a time when baby boomers are starting to look uncomfortably at their belt-line and worry about their cholesterol level and blood pressure.

What is especially notable is the hands-on role which many companies are playing in encouraging healthy nutrition among their employees. This phenomenon is most noticeable in the United States, where the absence of medicare puts more pressure on corporate health care plans. Companies are finding that providing nutritional guidance to their employees does not just reduce health care costs, it cuts down on absenteeism. And the savings flow right to the bottom line.

It was Napoleon who first suggested that an army marches on its stomach. Now, many are beginning to say the same thing about a company, or, indeed, an economy.

The preoccupation with nutrition has bubbled to the surface in North American restaurants. The public has voted their health concerns with their dinner plates! We food foot soldiers have seen it all over the last quarter century. The rise of the salad bar, the fall of whole milk, the battle royal of margarine and butter, the phalanxes of low-fat everything!

And the packaging has changed with the times as well. Just like Jerry Rubin, the radical-turned-capitalist, the hippie restaurants of the '60s have grown up and gone mainstream. Woody Allen, who satirized the Los Angeles health-food scene in his movie *Annie Hall*,

would not be able to order a plate of mashed yeast in the '90s version of the politically correct restaurant.

The nutritious diet of the 1960s has evolved into the “designer foods” of the 1990s. Brown rice and seaweed, staples of the counterculture, have been renamed and redesigned by trend-setting chefs. Sea vegetable salad, for example, with bitter greens and toasted sesame vinaigrette or grilled vegetables with arugula-rice salad.

Movie and rock stars, who 10 years ago went out for drinks and drugs, now go out for filtered water and cold soba pasta with hijicki (a form of seaweed), avocados and leeks. So much the better, if it tastes good!

One of the leading figures in broad-based nutrition in Canada is our guest today, Barbie Casselman.

In the late 1970s and early 1980s, Barbie first became known in the nutrition field through her work with Weight Loss Clinic, shortly after graduating from Ryerson with a BA in home economics, specializing in food science and dietetics.

As well as working with several companies in the development of corporate nutritional programs, Barbie is the creator of the Barbie Casselman line of Spa Cuisine (in partnership with the David Wood Food Shop), and is a consultant to Loblaws in the development of Body Friendly and President's Choice Too Good to be True products.

Often seen on such television public affairs programs as *Canada A.M.*, and read in such magazines as *Chatelaine* and *Canadian Living*, Barbie is a frequent lecturer to academic, corporate and charitable institutions. With such a long list of accomplishments, it seems somewhat irreverent to call her simply Barbie.

On a personal note, Barbie has helped me — and quite a number of others in the audience today — separate fat from fiction in the nutrition realm. Until I met Barbie, I thought the four food groups were hamburgers, fries, pizza and potato chips. As my diet police, she has taught me to turn down second helpings of Chocolate Obsession, Cinful Poppyseed Cake and Chocolate Overdose — all names with a whiff of the exotic and more than a whiff of immorality! Now — thanks to Barbie — I opt for Strawberry Saintliness or Raspberry Rectitude.

And, whenever I am tempted by some dietary indiscretion such as a doughnut, I harken back to my father in a holding pattern above the airport, and think: I'm not just eating a doughnut, I'm saving a life.

Barbie, I look forward to your remarks today — and of course, we would be pleased to receive your counsel on the menu for future Empire Club luncheons.

Ladies and gentlemen, I ask you to join me in welcoming Barbie Casselman.

Barbie Casselman:

I don't know if I can live up to that speech. Wow. I want to thank the audience for coming today. It's really nice to see that we got such a nice turnout. Since we consider the 1990s the decade of the environment, it's also nice to see that we're all considering our internal environments as well.

I'd like to begin today with a common question. What do you think has more fat and more calories? A commercial bran muffin or a gooey chocolate cream-filled donut? Let's see a raise of hands for the donut. And the bran muffin. There are definitely too many of my own clients here.

What do you think makes a more healthful breakfast — a donut or a muffin? If you said a muffin, you're not alone. In an effort to choose a nutritious good tasting alternative to donuts, danishes and the like, more and more people are opting for the many varieties of muffins found on bakery and supermarket shelves. But the health conscious ones are fooling themselves.

There's a reason many of those good-for-you muffins taste just as sweet and are just as satisfying as the bad-for-you donuts they replace. They contain the same ingredients, plenty of fat and loads of sugar. For instance, a bran muffin from Dunkin Donuts contains 122 more calories than the company's Bavarian Cream donut covered with chocolate frosting. And it has between 35 and 40 per cent more fat.

Mr. Donut's raisin bran muffin is 418 calories; Mr. Donut's good-for-you oat bran muffin is 436 calories.

When it comes to nutrition information, confusion reigns supreme. The biggest problem today is sorting out all this misleading information. The principals of nutrition are really

not that difficult to follow; they've just been made impossible to understand.

When I was 20, 16 years ago, I lost 35 pounds. And I had been on every diet imaginable. I started with the grapefruit diet. Then there was the water diet. I was running back and forth to the bathroom so many times I never had time to eat. And then Scarsdale. With every attempt I just kept getting fatter and fatter. And it wasn't until I started with my home program in nutrition that I really started to understand that those diets do little to help you understand proper nutrition and how to make it part of your life.

The bottom line is that to successfully lose weight, you have to find something that fits into your routine and into your lifestyle. If you're eating 50 per cent of your meals away from home — a lot of restaurant meals — it doesn't make sense to walk around with those little baggies of diet food. It's not going to fit into your life style, so therefore it's not going to work.

There's really no magic formula to successful weight loss because there are so many individual factors that come into play. For example, one's age, activity level, size, desired weight. For any of the women here today, I'm sure they've embarked on a diet with their husband, and found it very frustrating because they've only been able to lose half the weight in the same time as their husband.

Women have more fat tissue, that's because they need to make babies. Men have metabolically more active lean muscle tissue. Because that burns more calories, they're allowed to eat more to maintain their weight. So when you go on a diet with your husband — and because he's bigger to begin with and needs more calories — his decreased intake is going to have a greater impact. That's one of the problems between men and women and losing weight.

Also one's age. With each decade of aging, we actually slow down our metabolic rate about 10 per cent. But we can avoid this by continuing to exercise. And exercise is a very very important part of the equation when it comes to nutri-

tion. People often comment to me: “I sweat my guts out and I only burned 300 calories. That’s like nothing.” But what really happens if you exercise regularly, four times a week, is that you’ll start to burn calories at a more efficient rate — all the time. Not just those calories that you’re burning when you’re exercising, but for 24 hours afterwards. So by regularly stimulating your metabolism you’ll start to burn calories more efficiently all the time; you’ll actually be able to eat more and maintain your weight.

Every pound of weight requires a certain number of calories to maintain itself. So for a man who wants to weigh 200 pounds, he obviously needs more calories than a woman who wants to weigh 150. There is actually an energy factor that is taken to figure out the desired amount of calories that you eat to maintain your weight — somewhere between 10 to 15.

So if you are very inactive, sitting at a desk most of the day and with no physical exercise, we would use the factor of 10. So if you take the weight the woman wants to be — 150 — and multiply it by 10, she would be able to eat 1500 calories to maintain her weight.

However, if she were more active, and we used the figure of 13 for somebody exercising three or four times a week, then that same 150 multiplied by 13 would allow her to eat more calories. For somebody who’s exercising on a daily basis, we’d use the factor of 15. So the weight you want to be also plays a role here.

The only way to really increase your caloric need is by exercising. The best type of diet to follow is one that you feel you can live with. Diets typically don’t work because people go on them with the intention of going off them. After they get down to the weight they want, they go back to eating the way they were before they started the diet. It doesn’t take a rocket scientist to figure out that if you go back to the way you were eating in the first place that weight is going to come back. So it’s really important to find something that’s livable. And the best kind of diet that I’ve found is something that’s low in fat

but high in fibre, so you can walk around feeling satisfied without your stomach growling.

I mention fat a lot with my clients because fat is the thing that does the most damage. It's metabolized much differently than carbohydrates and proteins and we don't need nearly as much of it. Proteins we need every day. They're important for cell regeneration, tissue renewal, they have a function in the body. Carbohydrates we also need because they are our energy source. They're like gas for our car. But we need fat in minimal quantities. And because we don't need a lot of it, what we don't need we store. And the other problem here is that fat has nine calories per gram, proteins and carbohydrates four. So fat is twice as caloric but doesn't give you anything extra to eat. One tablespoon of oil has close to the same number of calories as two pieces of bread. But two pieces of bread is a lot more filling.

I often have people complain to me, that they don't really eat that much — a bran muffin for breakfast, and maybe, at lunchtime, a Caesar salad. Sure, they're not really eating a lot of food, but they're eating a lot of fat. And because they don't need that fat, it ends up being stored.

A good example about the Caesar salad. When Druxy's started a program called Heart Smart, they evaluated everything on their menu — the Caesar salad had more calories than the corned beef, pastrami, or salami sandwich. The large Caesar had 650 calories.

So here are these people thinking they're being good by eating a bran muffin and a Caesar salad, not realizing they're doing themselves more harm than good. I'm going to read you one more thing because this is what it all boils down to.

The latest scientific research indicates that calories from fat are treated very differently by your body than calories from carbohydrates or protein. And there in lies your ticket to weight loss. Ninety-seven per cent of all fat calories are converted into body fat. Studies have shown that even on relatively low calorie diets, diets consisting of fewer than 1500 calories a day, people can become obese if 50 per cent of

those calories come from fat. The fat you eat is the fat you wear. And typically in that bran muffin and Caesar salad day, about 80 per cent of those calories come from fat.

Another problem I find with people trying to lose weight is that they're eating a lot of carbohydrates in the absence of protein. People will often tell me they're eating cereal for breakfast, maybe shredded wheat with half a banana and a bit of skim milk, salad with bread for lunch, and then, in the evening, pasta with a tomato sauce and a salad.

That's great from a standpoint of fat, as long as that salad wasn't gouped up with dressing, but the problem is they're shutting out protein. The only protein they've taken in a significant quantity might be a cup of skim milk on their cereal. And what happens in the absence of protein, carbohydrates actually retain fluid in the body.

Protein requires a lot of water to digest itself. So if you've ever been on these various high protein, low carbohydrate diets, you lose 10 pounds in the first week — mainly water because protein requires a lot of water to digest itself. When the diet's finished and you eat a slice of bread and gain four pounds you have to know something's not quite right. And that's because your body acts like a sponge because it's been so dehydrated.

So often, when people go onto these high protein diets, they're only losing water; when they go onto high carbohydrates, they end up retaining water.

We need protein on a daily basis, and if our bodies lack protein they will mobilize muscle tissue instead of fat which is not desirable. Muscle is metabolically more active than fat — it burns more calories just sitting still — so you want to preserve as much as possible.

The other reason it becomes difficult to lose weight when you're only eating carbohydrates is because they are absorbed much quicker than any other food. That's why you'll hear people recommend that you eat a pasta meal, for example, if you're going out to play a game of tennis. Because it gives you a very readily available source of energy. If people

are only eating carbohydrates all day long, their blood sugar level keeps rising. And every time your blood sugar goes up your pancreas has to secrete a bit of insulin to take that sugar from your blood stream and put it back into the cells. And insulin is actually known as a fat forming hormone. It inhibits fat mobilization. So that makes it doubly hard to lose weight.

So it's really important to have a well-balanced eating pattern. Not to be eating all protein, not to be eating all carbohydrates. When people repeatedly gain weight and go on these yo-yo diets, because there is not a diet they can live with, they will end up losing weight but then go back to their old eating habits and regain it, then lose, then gain.

Particularly on crash diets, people will lose quite a bit of lean muscle tissue because their body's not getting the nutrients it needs. And as they lose the weight, and then gain it back, they're actually fatter the second time around at the same weight because some of that weight they lost was muscle; when they gained it back, they only gained back fat.

And because fat is not as metabolically active as muscle, they can't maintain that weight the second time around. And that's why they say diets can make you fat.

Each time you come back to that 150, all of a sudden you're 153 or 154. And then you start the whole experience again and the same thing happens. So it's important, if you decide that weight loss is what you're after, to make a commitment.

Try to make a commitment to yourself that it's going to be the last time. Because I often find myself counselling people who think they want to lose five or 10 pounds, that it may not be that important in terms of their medical health — they're healthy enough. But they think they want to be five or 10 pounds thinner and they sacrifice their health and their nutrition by eating incorrectly. They're not doing themselves a favour. They don't have the energy they would normally have because they're not eating properly.

So if you decide to embark on a weight-loss regimen, do it sensibly and remember that it's something you want to do

for life so that you don't make it worse for yourself further down the road.

I've talked to you about fat because it is really the villain when it comes to most health issues. I just want to differentiate between the three different types of fat because there are quite a few people who seem to be a bit confused about this. Saturated fat is the kind of fat we eat in animal protein typically. And it is also in butter, lard, and, most commonly, beef fat. Saturated fat is the worst type of fat because it increases cholesterol and triglycerides in the blood.

We now know that a diet high in fat is going to have more of an influence on your cholesterol level than the amount of cholesterol in the food. A couple of years ago, they actually took shrimp and lobster and all those forbidden sea foods off the list of foods to avoid. Although they are a little bit higher in cholesterol than beef and chicken, they have literally no saturated fat. Poly unsaturated fats — that's the type of fat that actually helps lower cholesterol and triglycerides in the blood — come from vegetable sources.

Then there's mono saturated fats — those would be the oils, canola, olive oil — and those have been given very good press because they actually help to increase the level of HDL cholesterol and that's what we call high density lipo-proteins. That's known as the good cholesterol because it actually helps clear cholesterol from your blood stream.

There has also been quite a bit of hype around oat bran in terms of lowering cholesterol. Oat bran is known as a soluble fibre, it helps to form a gel around the cholesterol and then helps to excrete it. Soluble fibres are the types that mix with water, as opposed to an insoluble fibre, which would be something like wheat bran. And insoluble fibres are also good for you in that they're not absorbed; they're very good for digestive disorders and that's why people often use them to keep regular.

So although the soluble fibres are good for cholesterol it doesn't mean you have to eat three cups of oat bran cereal in the morning. It just means that, as part of a low-fat diet, oat

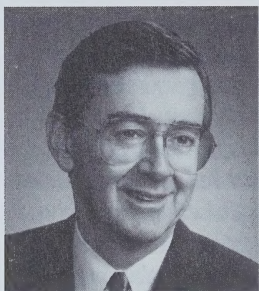
bran is one good source of soluble fibre. But there are many others — beans and peas and legumes are all good sources. A lot of fruits and vegetables are also good sources. So you can see there are a lot of confusing issues out there when it comes to nutrition.

There are all kinds of books that have reliable information and unreliable information. I think that always looking to a book that's been written by a nutritionist, or somebody who has worked in the field of nutrition, is a good place to start. Canada's food guide is quite reliable. It recommends that 50 to 55 per cent of our calories come from complex carbohydrates — and that doesn't mean only breads and rice and cereals. That also includes fruits and vegetables. Not more than 30 per cent of our calories should come from fat and 20 per cent from protein. When you tell people to eat only 30 per cent of their calories from fat, that doesn't always mean that much to them. They're not going to sit there in the supermarket and try to figure out grams of fat. So I have brought with me today, some menu planners which were distributed through all Loblaws stores in January and met with quite a lot of success.

The products you will see listed in the programs are too good to be true, and they are products that are what I consider too good to be true. They're amazing. A lot of them are already made for you, the frozen dinners, also the soups.

I invite any questions afterwards. If anybody would like to ask me anything, I'd be more than happy to help you out. Thank you.

The appreciation of the meeting was expressed by Anthony A. van Straubenzee, President, van Straubenzee Consulting Corp., and a Past President, The Empire Club of Canada.



March 12, 1992

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

Preston Manning

Leader, Reform Party of Canada

NAVIGATING TOWARDS A NEW CANADA

Introduction: John F. Bankes
President, The Empire Club of Canada

I am building a kite and I need wind for it to fly.

Preston Manning

In 1967, a leading Canadian political figure predicted:

If the Canadian political situation continues to degenerate...a wholly new political party committed to the social conservative position will find an ever increasing number of advocates and supporters.

These prophetic remarks were made by Ernest Charles Manning, Social Credit Premier of Alberta from 1943 to 1969.

Ladies and gentlemen, my name is John Bankes. As President of The Empire Club of Canada, I am pleased to introduce Preston Manning, leader of the Reform Party of Canada.

From its launch as a new federal political party at a Winnipeg convention in the late fall of 1987, the fledgling Reform Party has ignited a Prairie fire; few have accurately predicted how far and how fast it would spread.

To thousands of Canadians, Preston Manning and the Reform Party appear to represent the best hope for a revitalized Canada. By returning to a rhetoric of a former era, Preston Manning has struck a chord with many voters who are fed up with what they feel are the antics and excesses of the federal parties in Ottawa. Less than five years from the founding of the Reform Party, Preston Manning has transformed his western populist movement into a national political force to be reckoned with.

In a recent text, authors Sydney Sharpe and Don Braid have suggested that:

Populist parties are like oil wells, tapping reserves of pent-up energy. Every generation or so they release the anger of Canadians in a geyser of frustration directed mainly at the country's political and economic elites, the people who claim to know best.

Populism, these authors argue, is "never friendly to the status quo, but...is ultimately useful because it forces politicians to get back in touch with the people. The Reform Party has already had a profound impact on government policy."

Indeed! The major impacts of the party on the Canadian political landscape are numerous. Consider the belt-tightening in Finance Minister Don Mazankowski's latest budget. (Some Western wags are saying these days that the Reform Party has brought down its first federal budget; they had Don Mazankowski do it for them!) Or, the move of the National Energy Board offices to Calgary, where Preston Manning will run in the next general election.

The Reform Party is providing Canadians with an alternative road map. As Preston Manning likes to remind us:

Canadians cannot afford to be in the position of Christopher Columbus when he started out for the New World. He had no map. When he started, he didn't know where he was going; when he got there, he didn't know where he was; when he got home, he didn't know where he'd been; and he was doing it all on borrowed money.

Instead of concluding this introduction of Preston Manning with a lengthy biographical sketch, I would like to quote a brief passage from his text, *The New Canada*. (As an aside, this book is a tour d'horizon of significant scope that answers questions all Canadians have been asking about the Reform Party: its leadership, origins, platform and goals.) This revealing excerpt identifies the roots of Preston Manning's personal political convictions:

My personal perspective on life and politics has been significantly influenced by a number of factors. These

include my father's twenty-five-year involvement in politics as premier of Alberta, a personal decision at an early age to follow Christ, twenty years of adventures in the marketplace as a management consultant, primarily in the energy industry, and the practical demands and personal satisfactions of life at home with my wife Sandra and our five children.

Members and guests of The Canadian and Empire Clubs, please join me in welcoming the leader of the Reform Party of Canada — Preston Manning.

Preston Manning:

Introduction

I first of all wish to thank you sincerely for the invitation to join you for lunch and the opportunity to address you.

I should explain that I am in your city today courtesy of Macmillan, the publishing company, for the purposes of promoting a book which I wrote for release early this year under the title of *The New Canada*.

This book provides extensive background on the Reform Party of Canada and myself as its leader. Its main purpose, however, is to outline our vision of a new 21st century Canada, and the constitutional, economic and parliamentary reforms necessary to bring that New Canada into being.

Now I fully realize that most books by politicians are greeted with some scepticism, like the scepticism that often greets books by hockey players and actors. People are reminded of the old story about the actress who greeted a fellow actress with the words: "Enjoyed your book, darling. Who wrote it for you?" To which the other actress replied: "Glad you liked it, darling. Who read it to you?"

I can assure you, however, that, for better or for worse, I wrote *The New Canada* myself without benefit of ghost writers, and I do hope that some of you will read it for yourselves rather than rely exclusively on our critics or political opponents to find out what the Reform Party is really about.

Old Canada, New Canada, The Basic Premise

The basic premise behind *The New Canada* book, and indeed behind the development of the Reform Party itself, is that “something old is dying in Canada, but something new is being born.”

Old Canada is an appropriate name for the Canada in which we are now living. Sad to say, it is a country which is divided rather than united by its own constitution and the present attempts to amend it. Sad to say, its Federal Government has literally bankrupted itself by chronic over-spending, and its parliament fails to effectively represent either regional interests or majority opinion. This is “the negative picture” of an Old Canada which is dying. And because of our Canadian penchant for pessimism, it is this picture which tends to dominate our TV screens and our thinking.

On the positive side, however — and Reformers believe there is a positive side to Canada’s present turmoil which is in urgent need of expression — is the prospect of a New Canada struggling to emerge from the wreckage of the old.

I personally believe that the principal task of responsible political and community leaders in the 1990s is to assist Canadians to develop a clear vision of that New Canada and the policies necessary to bring it fully into being.

In building the Reform Party over the last five years we have, therefore, been asking Canadians: “In what type of country do you and your children want to live in the 21st century?” We have listened hard to the replies, analyzed them, and attempted to formulate them into a Vision Statement for a New Canada and a set of constitutional, economic, and political reforms to guide the transition from the Old to the New.

Because the Reform Party is a democratic, populist party, it is of vital importance to us that this Vision Statement and Reform program be responsive, not simply to the views of interest groups and elites, but primarily to the aspirations and concerns of rank and file Canadians.

We are acutely conscious that in Canadian federal politics — dominated as it is by the executive arm of government, the demands of special interests, and excessive party discipline — it is all too easy for political leaders and parties to miss or ignore the signals that come from the common sense of the common people.

In this regard, I am reminded of that story they tell on the West Coast of an occasion when the Prime Minister came to take a cruise on one of Canada's few remaining naval vessels.

Mulroney asks the captain if he can take the wheel for a while, and the captain allows him to do so. But a few minutes later the captain says: "Our radar has picked up something about 10 miles ahead in the fog, so you'd better be careful."

Mulroney then says: "Send out a message. Tell them to change course 30 degrees." The message goes out, but immediately a return message is received. "You change course 30 degrees."

Mulroney is a little irritated, so he says: "Send out another message. Change course 30 degrees. This is an order." Again, the message comes back. "You change course 30 degrees."

By now Mulroney is really incensed. He directs another message to be sent. "This is the Prime Minister of Canada. I order you to change course 30 degrees." The message comes back. "This is a lighthouse. You change course 30 degrees!"

New Canada: Development of a Vision Statement

I told you we have asked hundreds of Canadians in large meetings and small, "In what type of country do you and your children want to live in the 21st century?" And what I now want to share with you is a consolidation of some of the answers we are hearing.

People say to us: "We want to live in a country where there is fairness and balance — balance between the regions and the centre, no special deals, a country where no one region or group can impose its will on the others."

People say to us: "We want to live in a country where government decision making is more democratic — where there

is less 'top-down' decision making and the decisions of Parliament more accurately reflect the wishes of rank and file Canadians."

And the one descriptive word we hear mentioned most often in these types of discussions is "equality" — treat all Canadians equally in federal law and the constitution, regardless of their race, language, or culture, rather than treating some Canadians specially because of their race, language, or culture.

Does this, we ask, mean moving beyond the old definition of Canada as an equal partnership between two founding races? Yes, it does, since that definition now tends to divide rather than unite, and relegates to second-class status the 12 million Canadians (including aboriginals) who are of neither French nor English extraction. Better to look forward to a federation of equal citizens and provinces, people say, than to look backward to a federation of founding races.

And so, from all of this, we arrive at the first sentence of a three-sentence Vision Statement for a New Canada: "New Canada should be a balanced, democratic federation of provinces in which all citizens are treated equally regardless of their race, language, or culture."

But then we ask: "What should be the distinguishing characteristics of this balanced, democratic federation of provinces?"

What is it that will make New Canada a "distinct society?" Is it official language policy and government-manufactured culture that will both distinguish and unite us? And people tell us No. "The distinctive characteristics of New Canada should be those things we all share in common."

What are those aspirations and concerns we all share in common? Rank and file Canadians most frequently mention five things:

1. The common desire of most Canadians for a good job with a good income — which in today's world can only be guaranteed by an internationally competitive economy.

2. Our common stake in the conservation of the environment. When we ask high school students, for example, to define their vision of a New Canada, almost 40 per cent of the discussion centres around environmental conservation.
3. The common interest of virtually all Canadians in sustainable social services (education, medicare, pensions). It is this commitment to sustainable social services which many Canadians feel will most distinguish us from the Americans.
4. The common interest of all Canadians in respect for human freedoms and the preservation of cultural heritages.
5. The growing insistence of a majority of Canadians, in particular taxpayers, that our governments "live within their means."

And so from all this we arrive at the second sentence of our three-sentence Vision Statement for a New Canada. New Canada should not only be a balanced, democratic federation of provinces in which all Canadians are treated equally regardless of race, language, or culture, but also, "New Canada should be distinguished by the viability of its economy, the conservation of its magnificent northern environment, the sustainability of its social services, respect for human freedoms and roots, and governments that live within their means."

Then finally we ask: "What about all those Canadians who feel left out, or driven out, or who even say they want out, of Old Canada? What about the aboriginal peoples? What about regional alienation in the thinly populated hinterlands of Old Canada? And what about Quebec?"

And this is what we hear people saying about ways of including all these alienated Canadians.

People say New Canada should include a New Deal for aboriginals. They say it should include a New Senate to address regional alienation through more effective regional representation in Parliament.

And of course most Canadians want New Canada to include, not exclude, a New Quebec. Make the preservation and development of language and cultural distinctiveness a provincial responsibility, as the original Fathers of Confederation intended. Let the Quebec government, not the Federal Government, be the guardian of the French fact in Quebec. And then invite New Quebec to be a unique and integral part of a New Canada in which all citizens and provinces are treated equally and fairly.

This, then, is the Reform Party's Vision Statement for a New Canada — a vision rooted in the common sense of the common people, a vision still in the process of formulation (not cast in stone), but even now (we will argue) a clearer and more precise vision of the future than that offered by Beaudoin-Dobbie or the traditional federal parties of Old Canada.

New Canada should be a balanced, democratic federation of provinces in which all citizens and provinces are treated equally. It should be distinguished by the viability of its economy, the conservation of its northern environment, the sustainability of its social services, respect for human freedoms and roots, and governments that live within their means. It should include a New Deal for aboriginals, a New Senate to address regional alienation, and a New Quebec.

Choosing A Future Course Of Action

It is my contention that if we Canadians could agree on some vision of the future, it would be easier to evaluate the economic and constitutional proposals of the various federal political parties, to determine which are most likely to lead to a New Canada, and to make intelligent choices in the next federal election. Allow me to illustrate, with reference to the recent federal budget and the Beaudoin-Dobbie Report on the Constitution.

Suppose we can agree that New Canada must have an internationally competitive economy where tax levels are competitive and governments live within their means. We can then assess the positions of the various parties with respect to federal spending, made in connection with the release of the last federal budget, to see whether they lead to that New Canada or not.

As I understand the statements made by the federal Liberals and NDP in connection with the last budget, it is their position that federal spending should be further increased, even if this increases the deficit.

The position of the Progressive Conservative government is that the best we can expect is for the federal overspending to be maintained at the level of \$30 billion annually — the level at which it has been, on average, since the Conservatives took office in 1984.

Reformers say that neither of these positions will get us to New Canada economically. We maintain that the single most important thing the Federal Government could do with respect to economic recovery is to reduce federal spending in absolute terms to the point where it is reflected in lower taxation levels, a lower cost of living, and a lower cost of doing business.

We have thus constructed a spending reduction program consisting of dramatic spending cuts at the top of the government, a significant downsizing of the federal civil service, real reductions in big-ticket items like grants to the corporate sector, and targeted social spending.

By the next election we hope to make these three options crystal clear to the electorate — increased federal spending from the Liberals and NDP, continued overspending at \$30 billion a year from the Conservatives, and reduced federal spending from the Reformers. And then we will say to electors like yourselves: “You decide which course of action leads to New Canada, and vote accordingly.”

Finally, consider the constitution (if only any discussion of the constitution could be final). Almost all of us want to get

this constitutional wrangling behind us, so that we can get Canada on a solid constitutional foundation for the 21st century and get on with higher priorities. It is imperative that we decide where we want to go constitutionally, and which set of constitutional proposals will take us there.

Is constitutional peace and national unity to be found by continuing to view Canada as a partnership between founding races, granting special status and powers to designated groups, and leaving final decisions on amending the constitution to the federal and provincial governments?

The Report of the Parliamentary Committee on the Constitution, signed by all three parties, says yes, and, if accepted, commits Canada to continuing down that same old road. It contains no reference to the equality of all provinces and citizens as a governing principle. It continues to affirm Distinct Society and a special veto for Quebec. While it proposes to democratize and somewhat equalize the Senate, it counters these reforms by giving the Commons an override, thus rendering the Senate ineffective. And the report still leaves the final say on constitutional changes to governments.

Quebecers, in particular Quebec federalists, will not find here any fresh, clear vision of a renewed federalism with which to counter the sovereigntist option. Instead they will only find a murky mixture of what they themselves refer to as the Compromised Federalism of the Mulroney Conservatives (a federal party which accepts votes from separatists to win federal elections in Quebec), the Burned-Out Federalism of the Chrétien Liberals (a party which exhausted itself in the constitutional battles of the 1960s and '70s and has little left to offer a new generation of Quebecers), and the Fence-Sitting Federalism of the Bourassa Liberals.

But at least the report of that all-party Parliamentary Committee (Beaudoin-Dobbie) puts the traditional parties on the record. This is the package, this is the road, that they apparently believe will lead to national unity and constitutional peace.

In the next federal election, Reformers will offer Canadians a different package of constitutional proposals. Our package will rest on the proposition that lasting national unity and constitutional peace lies in the direction of making language and culture a provincial responsibility, treating all provinces and citizens equally and fairly in federal law regardless of their race, language or culture, and letting the people have the final say on changes to the constitution through a national constitutional referendum.

In other words, in the next federal election, while traditional party politicians are knocking on doors offering asymmetrical federalism, Reformers will be knocking on doors offering a federation of equal citizens and provinces.

While the politicians of Old Canada will be visiting living rooms via television offering an elected, somewhat equal and ineffective Senate, Reformers will be visiting the same living rooms offering a reformed Senate that is Elected, Equal, and Effective in safeguarding regional interests.

While the leaders of the traditional parties will be telling audiences to trust the federal and provincial governments with the final say on amending the constitution, the leader of the Reform Party will be offering to entrust to the people themselves the final say on amending the constitution.

And once again, it will be Canadians like yourselves who will have to decide which road — founding races, special status, top-down executive decision making, or equality, provincialization of language and culture, bottom-up democratic decision making — leads to that New Canada where unity and constitutional peace prevail.

Conclusion

In closing, I want to return to the story of the Prime Minister, the Ship, and the Lighthouse.

To be fair to Mr. Mulroney, Mr. Chrétien, and Ms. McLaughlin, all three of our traditional party leaders have warned that as they study their political radar screens they see trouble ahead for the Canadian ship of state.

And all three are standing on the bridge, sending out messages: "These are your leaders speaking. Pay your taxes that we might spend more. Accept these measures to accommodate the government of Quebec and other special interests. Trust us to amend your constitution."

The Reform Party, on the other hand, is more interested in responding to the messages that are coming in loud and clear from the lighthouse of the common sense of the common people: "Spend less and tax us less. Treat us all equally and fairly, no matter who our parents were or where we live. And let us have the final say on the rewriting of our constitution."

The passage of time, the ebb and flow of the political tides, and above all the decisions and actions of people like yourselves, will eventually determine who ends up on the rocks and who navigates safely into that bright harbour Reformers call New Canada.

Thank you.

The appreciation of the meeting was expressed by Roland Lutes, President, The Canadian Club of Toronto.



March 26, 1992

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

Allan R. Taylor

Chairman and CEO, Royal Bank of Canada

THE ECONOMY AND THE CONSTITUTION: GETTING IT RIGHT

Introduction: John F. Bankes

President, The Empire Club of Canada

"The trouble with this whole country is that it's divided up into little puddles with big fish in each of them."

Hugh MacLennan

"There is no recipe for turning bouillabaisse back into fish."

Matthew W. Barrett, on the difficulty of restoring unity to a disintegrating Canada.

Canada went scudding into spring last week with tattered sails and a somewhat bedraggled crew, its compass spinning wildly.

On this, the tail-end of yet another long winter of discontent, Canadians find themselves somewhere between a quandary and a fine kettle of fish. As a country, Canada is only 125 years old and already it seems like the warranty's running out!

Hopefully, Canadian political leaders are in the midst of what will be the last major constitutional round for years. As Joe Clark has reminded us: the country does not want to make these discussions regular events — a sort of constitutional Olympics.

What will be the outcome of the national unity poker game? How will political leaders engaged in the federal-provincial-territorial-

aboriginal negotiations — slated to last about 10 weeks — resolve the conflicting demands of the various interest groups?

To date, the intensity of the debate has been fueled by the self-interests of the parties involved. Perhaps there is a need for a more objective — or selfless — perspective. I call it the Benchley Principle.

The American humourist, Robert Benchley, once sat for a college examination which called on him to discuss the North Atlantic fishing rights controversy, first from the point of view of Great Britain, and then from the point of view of the United States. Remembering nothing at all about the controversy, he chose an alternative approach — he described the dispute from the point of view of fish!

Let's apply the Benchley Principle to the Canadian constitutional debate and, for the moment, ignore the views of the various claimants. Let's look at the constitutional debate solely from the point of view of the Canadian public interest. A lot of things come into sharper focus.

Our guest speaker, Allan Taylor, chose such an approach in his widely acclaimed address to the Royal Bank Annual Meeting in January. His speech, entitled *The March of Folly*, outlined the significant costs associated with Canadian disunity and made the compelling point that "national unity and economic prosperity are cut from the same cloth."

Similarly, in his keynote address at the opening of the National Assembly last week, Premier Bourassa also applied the Benchley Principle in vigorously defending national unity. In putting himself squarely on the side of federalism, Bourassa abandoned the recent Quebec-based hard-line rhetoric. He spoke instead of Canada as a "rare and privileged" country blessed with special qualities such as "peace, justice, liberty and standard of living." Time will tell whether this more conciliatory tone is a brief seismic anomaly next to the continuous political earthquakes emanating from Quebec.

The interminable constitutional wrangling and the uncertainty about the outcome is disruptive for all Canadians. Are we spending so much time on the constitutional dock that we are missing the economic boat? Further, if we are unable to resolve our constitutional differences, are Canadians going to be able to steer our economic ship of state? Are economic considerations an unnecessary or untimely distraction or do they represent important ballast for any constitutional deal? Our guest speaker today, Allan Taylor, will address the issue of how Canadians can get both our constitution and our economy sailing again in the right direction.

Allan Taylor is a member of what may be the last generation of bank chief executives who started their banking careers as teenage tellers and junior clerks. Indeed, he passed up a university scholarship to join the Bank at age 16 in 1949.

Maclean's magazine describes Mr. Taylor's style as "gracious and approachable" and attributes his ability to put people at ease to his upbringing in Prince Albert, Saskatchewan. Allan Taylor belies Mark Twain's description of a banker as "a fellow who lends his umbrella when the sun is shining and wants it back the minute it begins to rain."

After 15 years in the Bank's international division, Mr. Taylor became President in 1983. He was appointed Chairman of the Royal Bank in 1986.

Allan Taylor's overview of the issues that confront this country is broadened by his membership on the Executive and Policy Committees of the Business Council on National Issues, and the Board of Directors of the Conference Board of Canada.

Allan Taylor is a director of numerous major companies. He takes a particular interest in relations between the academic and business communities. His achievements in this area have been recognized by honorary doctorate degrees from several universities.

The top of Royal Bank Plaza offers an excellent perspective on the Canadian economy, and the impact that constitutional gridlock is having on Canadians' ability to compete. The Canadian and Empire Clubs are honoured to have this joint opportunity to invite Allan Taylor to our lectern. Ladies and gentlemen, please join me in welcoming Allan Taylor.

Allan Taylor:

The last time I had the privilege of addressing The Empire Club was in 1985, and I last spoke to the Canadian Club four years later. Those were more normal times — more prosperous times. My subjects on both occasions were esoteric but, I felt, relevant: financial services restructuring and telecommunications policy.

With the substantial progress that has been made since then in reforming laws regulating our business, it is tempting to return to this theme.

But these are not normal times, nor prosperous times. Decisions will be made in 1992 that affect the welfare of Canadians for generations to come.

So I want to discuss some of the economic implications of the constitutional debate with you today, starting with the enormous costs all of us will have to pay if Canada self-destructs.

Of course, it would be easier in the short term, especially for business people, to remain silent. But the easy way is not always the right way when the interests of a nation are at stake.

Now at this point you might protest that constitution-making is for citizens, not banks. As I told our annual shareholders meeting, I do not have, nor do I pretend to have, any special expertise or knowledge in this area. But, our bank is almost as old as Canada. We have some knowledge of how our economic system works — and what it needs to work. And it requires no constitutional expertise to see that many of the assumptions in this debate are both naive and dangerous.

Canadians must understand that separation without pain is a real-world impossibility. In my estimation the costs of a break-up would be huge and long-term. The value of our dollar would drop; our strong currency would be replaced by two weaker new ones. Foreign investment would fall. The internal Canadian market would be shattered, as would our common international trade policy, and our stabilizing fiscal structure.

The price of this folly would be paid by everyone in Canada — here, in Ontario, in Quebec and in every province and territory. The very quality of life would be diminished for us and our children.

Now, even as I speak, there is evidence that uncertainty over our future is damaging us. Foreigners wonder if Canada is a safe haven for the savings of clients; some European financial institutions advise investors to take a cautious attitude toward Canada. At home, uncertainty causes

businesses, governments and individuals to put off investment decisions.

Yes, we will all pay a very heavy toll if Quebec goes. But the point to recognize quite clearly is that an outright split is not the only danger facing us. So today I want to focus on two economic imperatives that will put us in fighting shape to take on the world if we restore Canada.

First, new constitutional arrangements must enable our economic union to prosper and become increasingly competitive. Second, we must pursue sound economic policies now if a renewed Canada is to inherit a solid base for prosperity.

A strong, integrated and efficient Canadian economy will enhance Quebec's opportunities to flourish as a Distinct Society in a renewed federation. A strong, integrated and efficient Canadian economy is necessary to protect — and enhance over time — a social covenant. Most Canadians feel passionately that a caring, sharing society is a fundamental and special characteristic of Canada. I am one of them.

A strong, integrated and efficient Canadian economy will give the native people the economic benefits they need to enjoy self-government within Canada.

It is time for Canadians and their leaders to acknowledge that the federation works for all, or it works for none. In the difficult months to come we will need even greater statesmanship, and that includes making compromises where necessary. This could well be our last chance to save the federation.

Now I understand why many people are sick and tired of all this talk about the constitution. In this cruel recession, they are first and foremost interested in finding jobs and protecting jobs.

Others put the emphasis on the need for Canada to be much more competitive. And whether we like it or not, the global economy is being restructured. We must adapt by upgrading our public and private enterprises.

Still others insist that the first item on the national agenda must be restructuring the federation. That means adapting Canada's political system to new regional realities.

What is being missed here is the most basic point of all. These three concerns — jobs, competitiveness, a new constitution — are absolutely inseparable. To have the number and kinds of jobs we need, we must be competitive. And to be competitive, we must solve the constitutional crisis.

Nothing would do more to assist economic recovery or to enhance competitiveness than accepting a viable plan to keep Canadians together. This would reassure foreigners that Canada has a bright future. It would restore the confidence of Canadians in themselves.

It is encouraging that the vast majority of Canadians now appear to agree with this fundamental point. The evidence is in a new Decima national poll. It finds that fully 81 per cent — eight out of every 10 — Canadians believe that resolving the national unity debate is important or very important in the recovery of the Canadian economy. I am one of this 81 per cent.

Yet, in the headlong rush of the constitutional debate, a foolish notion is often just below the surface and sometimes above it. This is that lasting and meaningful political unity can somehow be achieved without regard to the powers and arrangements needed to develop a competitive economic union.

Here we come face to face with the first imperative to which I referred. We must emerge with constitutional arrangements that make our economic union more efficient and prosperous, not less so.

The curious notion that in balkanization, protectionism and parochialism there is strength, flies in the face of history. It is plain nonsense to think that political unity can be achieved through economic disunity.

Look at Europe. After a millennium of turmoil, the Europeans are scrambling to pool some of their hard-won sovereignty to join a common cause. They had already nego-

tiated an economic union and are now moving toward greater political unity.

On this side of the Atlantic there are cautionary lessons about denying governments powers to maintain an integrated national economy.

More than two centuries ago, the 13 American states wasted eight years trying to govern themselves under a disastrous experiment called the Articles of Confederation. Each state had an equal vote. Key matters — declaring war, issuing coinage and spending — needed the consent of nine of the 13 states.

The result was chaos. Prices collapsed, competing currencies proliferated, debtors' prisons were filled. Connecticut's firewood was taxed in New York. Massachusetts closed its ports to British vessels, but Rhode Island gave the British the right to ship goods overland into Massachusetts.

Advocates of a strong economy, led by Alexander Hamilton, then crusaded for the adoption of the U.S. Constitution. This noble document gave the central government adequate powers to manage the economy in the interests of all. It was a practical blueprint for a union based on liberty and prosperity.

In our own history there is compelling proof that increasing economic unity brings strength. The Canadian federation was created in part as a practical plan to help solve very pressing economic problems. Debt loads had overburdened the public finances in British North America. Roads, railways and canals could not be financed to open the country to commerce. The economy was stagnant.

So the Fathers of Confederation brought the northern part of this continent together. They didn't just negotiate a commitment to democracy and diversity. They gave Canada the foundations for strong economic development.

The new country, with remarkable speed, provided a solid financial base for growth. It facilitated a freer and more integrated domestic market and developed the West.

In other words, it worked. The economy of the Canadian federation grew progressively stronger. Since the beginning, Canada has been viewed by international markets as much stronger than its parts. We built railroads, highways and air services on that strength. We built broadcast networks and a solid national financial system. We built social programs that other nations envy. The people of this immense country were brought closer together.

To destroy a country with this record of achievement would be an exercise in folly rare in the history of free nations. To strengthen it would assure Canadians a worthy place in the world of the 21st century.

But in the process of trying to rebuild Canada politically, we must be vigilant about another danger. The danger is that — inadvertently, perhaps — we will so weaken the national economy that it will be no match for the forces of international competition.

Such a “solution” would be the legacy of exhaustion and expediency. Canada would become a toothless economic tiger. All Canadians would lose in the process. Region would be pitted against region.

In every successful federation, there are certain crucial economic functions that central governments must perform. There are some economic functions that central and regional governments must perform in very close harmony. There are others that can clearly be left with regional governments.

I am not going to enter the detailed debate on the division of constitutional powers; that is the job of our politicians. But I am certain a stronger Canadian economic union, not a weaker one, must be the result.

In general terms, however, there are some broad prerequisites for keeping the economic union strong and efficient.

We need a single national currency and a single national monetary policy — these are essential for a strong national economy. We need a national fiscal policy capable of fighting national recession, evening out regional economic difficulties and supporting nationwide development. We need to pre-

serve our strong nationwide financial position. We need to achieve a high degree of harmony in our tax and regulatory systems, as Europe is seeking to do.

We also need a common market in Canada. The free flow of goods, services, people and capital has to be assured. This is such an important issue in the current debate that it merits special attention.

It is absurd that you can buy Moosehead beer in New York, but not in Toronto. It is equally absurd that travellers between Halifax and Saint John still have to change buses at the New Brunswick-Nova Scotia border.

Do we laugh, or do we cry, when paving stones are ripped out of the sidewalk in Aylmer, Quebec, when it is discovered that they were made across the river in Ontario?

Why must a teacher of the French language from Quebec take a special course to teach French in Ontario?

There are more than 500 barriers to inter-provincial trade. The Canadian Manufacturers' Association suggests that removing them could save more than \$6 billion.

Make no mistake, we can do this while retaining realistic policies that help regions to survive in tough times. But instead of the self-defeating policies of protectionism and subsidization, the objective should be to support sustainable regional economic development. It is sheer waste to allocate billions of tax dollars to keep unnecessary, inefficient or non-competitive enterprises alive.

And all the new policies must eliminate the costly and wasteful duplication of federal and provincial services, no matter how powers are shared by governments.

So let's look at Europe again. In Europe there is a broad agreement that competitiveness is a virtue, not a vice. All remaining legal barriers to the complete mobility of goods, services, labour and capital between 12 states with 340 million people are coming down. This puts the Europeans 10 or 20 years ahead of us. It takes them way beyond the provisions of the Canada-U.S. Free Trade Agreement.

The key question, of course, is whether the Canadian people want removal of interprovincial trade barriers. Again, I refer to the latest Decima unity poll. It shows that fully 75 per cent of Canadians do want to remove restrictions on the flow of goods and services within Canada.

A single market would strengthen Canada politically. It would promote efficiency and competitiveness in the smallest domestic economy of the seven leading industrial nations. Any new constitutional arrangements must recognize this fact.

But let us not make the mistake of thinking that appropriate constitutional arrangements will, in themselves, be sufficient for ensuring a strong economy. This is the second economic imperative we must all understand. The quality of economic policies will determine whether a renewed federation inherits a strong foundation or a crumbling base.

And here we are making some progress. The quality of some of our current economic policies on inflation, deficit control, trade liberalization and industrial regulation is most encouraging.

We are beginning to get our inflation down to levels that compare with the best of the industrialized countries. This is the result of one thing and one thing only — a consistent monetary policy aimed at protecting the value of the currency. It gives us some assurance that our new federation will inherit a worthy currency. It also means that our emergence from recession will not be aborted by a return to high inflation and sky-high interest rates.

Our record on fiscal policy is another matter. For two decades our public debt, both federal and provincial, has grown much faster than the economy. This has diverted our national savings from productive investments. It has forced us to borrow huge amounts from foreign investors. On both counts we have been mortgaging the income of the next generation. Nor is our generation doing all that well: 35 cents of every federal dollar now pays only the interest on the public debt.

The last two federal budgets have at last started to move us in the right direction and we cannot afford to lose our way. There is enormous urgency for the federal and all provincial governments to work together so that the new federation inherits fiscal strength and not crippling debt.

We are clearly in tune with the trends of the end of this century in seeking more open North American free trade and a broadening of our trading opportunities through the GATT negotiations.

The current shrill protectionist trade sentiments in the U.S. are deplorable. The strongest vigilance on the part of our government is justified. But it is ludicrous to argue that Canada would have been more protected without the Free Trade Agreement. The dispute-settling mechanism in this agreement gives us an essential new tool for dealing with unfair trade actions.

We have also begun to build a stronger economic base through reregulation of the financial system, the telecommunications system, and the privatization of government enterprises. Then there is the new but encouragingly intense debate on improving national productivity through a whole range of policies. Canada is not unique in this respect. All over the world there is restructuring. All over the world, the need to manage change more efficiently is being accepted.

Therefore, on this second imperative — improving economic policy now — we are moving toward the priorities of the 21st century.

So, in this period of constitutional crisis it is wise to recall what our much-maligned economic union has done for Canadians. The United Nations rates Canada second among 160 countries in the quality of life. This is based on human freedom, racial equality, gender equality, longevity, living standards, economic well-being and distribution of income. Not bad for a people who spend more time counting their debits than their credits.

The boat people, and millions of other victims of tribalism and bigotry, are trying to break down our doors. They want

in. They want to share our good life. Meanwhile, in the rubble of the Soviet Empire, the people are learning a bitter lesson. This is that democracy, social justice and prosperity cannot be achieved by simply raising a flag.

Together, for a century and a quarter, Canadians have built a country that is the envy of humankind. Together, we can meet the challenge of saving Canada and assuring our children a worthy place in the 21st century.

The appreciation of the meeting was expressed by Joyce Kofman, Past President, The Canadian Club of Toronto.



April 2, 1992

Margaret Visser

Author, Broadcaster, Commentator

THE RITUALS OF DINNER

Introduction: John F. Banks

President, The Empire Club of Canada

A writer is "selected" by his subject — his subject being the consciousness of his own era.

Nadine Gordimer

Only a decade ago, the chef of a Whitehorse restaurant, *The Taku*, was piqued when a customer rejected his carefully seasoned scrambled eggs. He ran a kitchen knife through the customer's heart, killing him instantly.

The chef's action was most certainly illegal; he is serving a life sentence for the foul deed. But, as Margaret Visser reveals in her text, *The Rituals of Dinner*, murdering the guest also showed very bad manners! It demonstrated a clear lack of appreciation for the formalities of our rituals of behaving at the table.

Margaret Visser's text is a worthy follow-up to her acclaimed and spirited first excursion into food lore, *Much Depends on Dinner*, which won the Glenfiddich Award in Britain for the food book of the year.

Her more recent examination of our first biological imperative, *The Rituals of Dinner*, is not a book of etiquette; those who want to know how to eat a pomegranate or dissect an artichoke will have to look elsewhere.

The text is, rather, a good-humoured and informative look at how we came to eat the way we do when we are eating together. Margaret Visser argues colourfully and effectively that our manners are not prissy social niceties. Manners have evolved because: "At table we are both armed and vulnerable; we are at such very close quarters."

The theme that underlies all table manners is that, however brutally "we may have killed or sacrificed in order to supply our feast, we do not get the guests mixed up with the dishes." According to Margaret, the biggest taboo is to eat another guest. And it's because dinner is so potentially dangerous, with its sharp utensils, bared teeth and ripping of flesh, that rules and an element of control have become very very important.

Believe me, once you have read Margaret's book, you will never look at a table knife the same way!

Margaret begins her text with a description of that nastiest breach of eating etiquette — cannibalism. According to Margaret, there's always a prescribed procedure for consuming one's own species! Eating people, as the English comedy team of Flanders and Swann once said, may be wrong; but that doesn't mean it should be done improperly! Or, as James Beard commented: "I believe that, if ever I had to practise cannibalism, I might manage if there were enough tarragon around!"

From cannibalism, the author moves to a discussion of the ritual sacrifice of animals and a discussion of the etiquette of vomiting. Try some of Margaret's anecdotes at your next dinner party. Some will prove to be effective conversation starters; others, conversation stoppers!

The Rituals of Dinner is a smorgasbord of fascinating morsels, delectably served. These tidbits help us understand the essence of food, its sensuality, its ability to facilitate friendships, and its reflection of a people's history. Briefly, let me share a few of these insights with you.

First, the points of knives became rounded after 1669 when the French king banned pointed instruments to discourage his guests' tacky habit of picking their teeth at the table.

Second, the table napkin creates a minefield of uncertainty: Do you put it on the plate or to the left? Do you fold it in the shape of a frog and hide a roll inside? Do you tie it around your neck? Do you worry about getting it dirty? On this last point, Margaret comments that: "Napkins, in our culture, are to be kept clean — a wholly unreasonable requirement in view of the purpose for which napkins were designed in the first place."

Third, in an insightful section called Learning to Behave, Margaret examines how we cope with our children's heinous crime of not being miniature adults. Children, in fact, play an important role in reinforcing our belief in the importance of manners. To paraphrase an old Persian proverb: One learns manners from those who have none.

Fourth, Margaret's observations on eating aboard airplanes are particularly apt and amusing. Writes the author: "Manners, here, impose passivity and constraint; ornamentation is taken care of by the oddity of our being served dinner at all in such circumstances. There is no question of argument, and only very limited choice."

Fifth, in *The Rituals of Dinner*, not only how you eat but also what you say comes under scrutiny. Margaret comments that, although we all want sparkling conversation, it is bad manners to be too intellectual, as that might exclude some guests.

Sixth, a meal at a McDonald's or a Burger King is no less encased in rigid ritual than a meal at the grandest French or Chinese restaurant — or the last meal that Jesus shared with his disciples.

Finally, Margaret describes the 19th century Parisian phenomenon of "fourteenths" — hired men who "waited at home between 5 p.m. and 9 p.m. every night all dressed up and ready to step into the breach where any dinner party threatened suddenly to number 13." Coincidentally, our Empire Club head table today numbers 13; one of those standby fourteenths might have been a useful addition!

Enough, for the moment, on *The Rituals of Dinner*. Let's focus on the author herself. Margaret Visser was born in South Africa and brought up in Zambia. She received her doctorate in Classics from the University of Toronto specializing in ancient Greek drama, mythology and religion.

Although a classicist by training, she is a dedicated popularizer of information and ideas. In addition to teaching classics at York University, Margaret is a frequent contributor to such CBC Radio programs as *Morningside* and *The Arts Tonight*, and a commentator on radio and television programs in Canada, Britain and the United States, including CBC's *The Journal* and NBC's *Today* show. She is also a contributing editor and columnist for *Saturday Night* magazine.

Balzac once said that manners are the "hypocrisy of a nation." Perhaps so. But, hypocritical or not, they provide an image of how a nation sees itself. Margaret Visser is an expert on interpreting the image — and sharing it with us.

Ladies and gentlemen, please join me in welcoming Margaret Visser.

Margaret Visser:

Thank you very much. People often ask me to give examples of really bizarre table manners. Of course when they do this, they never think of the history of the fork. Or the reasons why you're not allowed to use a toothpick. Because we do it; it's right.

But one of my favourite examples of bizarre table manners is the one where the host of the party doesn't eat anything. He is there to give, to bestow, and the guests are there to receive. So he has to dance or play the flute, and the guests all silently eat.

Another example, in the Chinese Book of Rights, compiled in the first century B.C.: "If you are fortunate enough as a guest to be given a piece of flute by a noble host, you should suck the kernel clean and put it down in front of your robe to show that you are not throwing any of his gift away."

Now this sort of thing seems quaint to us — you can understand it; all of these things are always understandable once you realize the principle behind it.

Behind this is the host-guest relationship which, in all cultures, always is kept deliberately off balance. So the host is giving and the guest is receiving. Why? So there would be a return occasion when the roles would be reversed.

So it's very sophisticated behaviour actually to keep it clear who's the host and who's the guest, who's giving and who's receiving. So the balance is intended to be addressed and this business about putting the peach pit down your front is a demonstration that you understand how grateful you're supposed to be and there's an obligation being accepted here.

Here's another example. The difference between oriental manners and western manners. And I'm sure a lot of people now travel to Japan and China and so forth, and so they all have stories. I've had hundreds of stories of people who have done this.

Once my husband and I invited to dinner in Paris a very famous Chinese theatre historian. And we spent about a week trying to decide what we would give her to eat. And we thought we would be very French, and we produced vegetable wrapped in ham with a sort of cheese sauce on it. She was a very charming, extremely cultured, woman, and she looked at this dish and said: "I can't eat that."

She was absolutely horrified. Meanwhile my husband luckily had cut open his and she realized it was not meat, it was vegetable inside. So she bravely, being very cultured, picked up her knife and fork and started to eat this thing. She actually ate it.

And we discovered later, I mean to a Chinese, being given a large lump of what she took to be meat, is just absolutely barbarous. Furthermore, it looked really rather like a rat. And then, of course, this poor woman had to use this knife to eat it with. She'd had a horrible time; she behaved very well.

You see the Chinese, having knives on the table is a kind of nonsense that doesn't occur. They cut everything in advance, in another room please. Okay? And on the table you have these nice little pieces of blunt wood, much more civilized. Much more sensible, much more foresight about dinner.

I won't go on about violence at dinner, we've already had some examples of this from Mr. Banks. But the Chinese think you're crazy to put knives and forks, with points, on the table in the first place.

Now eating together, the world over, symbolizes togetherness and communion with the people present. The fact that we have eaten together without violence occurring, well it proves that we're together. Nothing happened, we're civilized, everything is predictable, everything's safe among people like us.

It's unity having achieved a meal together. It's also distinction. And difference among cultures, distinction of class and difference among cultures. But table manners are a social mechanism. They're used, food is used, to express social

value. Human beings are, by the way, absolutely doomed to inculturate everything.

You don't distinguish this nature versus culture. Human beings are biologically determined to be cultural. That's the fact of the matter. And table manners, all over the world, are systems. As soon as you have a society of people, you must have table manners; there's no society without them.

And they all seek to achieve consideration for others while we're eating — cleanliness and purity — that's both ritual and physical, self-control and competence. You must show that you are willing to play society's game and that you have been well brought up.

Now we're very sensitive about table manners. This is also biological actually, human beings, and animals are very sensitive when they're eating. If you have a cat and you stroke it while it is eating, it doesn't like it, doesn't like to be distracted because it feels vulnerable. Human beings are like that too except we feel vulnerable — not now about the possibility of a lion jumping on us while we are eating — but feel vulnerable to the people we are sitting at the table with. So the least little thing that happens, that's different, the whole table is electrified.

People see somebody using a knife and a fork differently and everybody at once notices. We're all alert while we're eating. And we also know that this kind of sensitivity can have very grave consequences. You hear of people getting divorced because their partner holds the knife in their fist with the blade going to the ceiling. People get very very upset.

So table manners can keep people apart, and bring people together. But if you don't play and have the same manners, then you can have all kinds of problems. However, as I said, there is hope because one can always figure it out, see what in fact is going on. Why do these people have different manners from mine? Take, for example, a look at some of the differences between the Chinese, or the Japanese, but mostly the Chinese and ourselves. The Chinese have this wonderful

strategy to encourage group eating. It's a wonderful thing. If you go to a Chinese restaurant, the bigger the group, the better the food. If there are two of you, then there are two dishes. But if there's nine, well, you've got a choice of nine dishes, a brilliant, brilliant move and you can see how good they are about groups if you go into a Chinese restaurant. If you look around you, you can see how sophisticated these people are.

Now in all cultures, seating is status. And for us, of course, we usually have an oblong table and the people sitting at the short ends are the important ones. There's the head of the table and the foot of the table, just make sure which end is important. But the Chinese have a different system; they have round tables because they've all got to be able to reach the middle. And you'd think in our culture we'd try to be non-hierarchical by having a round table. Well they assure us that where you sit at a Chinese meal is so complicated that it's not even worth-while to ask the question. Westerners just cannot understand the complexities; it's a matter of which direction you face and where the door is and things like this. Be very careful.

Now we should never underestimate complexity as a factor in table manners because table manners all over the world are deliberately made difficult. Life is definitely complicated. There are ways of handling knives, forks, spoons, chop-sticks and using your hands. People who eat with their hands are very very particular about how it's done. We know how difficult chop-sticks are, they are ridiculously difficult, aren't they?

But consider the fork, consider balancing food on the rounded part of a fork held upside down. You've got to put peas and all sorts of things on there and transport it to your mouth without spilling. So it's made very difficult. And having made it difficult, we demand competence.

Competence proves that we are well-bred and have a good upbringing; it also prevents disgust, and even fear, in the other guests. Supposing somebody sat at your table, and

custard sort of dribbled down their beard. First of all you'd notice instantly, no matter how small the amount of custard. And you'd wonder whether he knew, and what you should do.

Should I try dabbing?

People will be horrified, you see, and I remind you, disgust most primarily is a culinary idea. So you must not do anything too busy, you mustn't draw attention to yourself. Table manners are a matter of not being noticed.

If you draw attention that's very bad — you mustn't eat boiled eggs with their shells on or anything like that. You mustn't do anything unexpected. This is the idea. You mustn't hold food up on your fork and then put the salt and pepper on them. That's too busy, that draws attention. That's too theatrical.

You must show, in other words, ritual ease. No matter how uncomfortable you are, you must look as though everything is calm and clear. It doesn't matter if you've got food wedged between your teeth, ritual ease at all times. Now the Chinese say, we don't bother about all that. No, we don't have any rules at the table. Which is their way of having ritual ease, because, obviously, they are incredibly rule-bound.

I first want to put down one rule whereby we differ from the Chinese. And that is our rule of making life as difficult as it possibly could be. Never be seen with an open mouth with food in it, but you must talk. You must talk, because we all know that we are not here for the food. We are here for the conversation and the food is beneath mentioning.

These things have terrible consequences as Anglo Saxons are well aware. You're not here for the food. We must talk, we must keep our mouths shut.

Now the Chinese, they don't feel this. They will talk first, and they will talk through the meal. But they don't insist on having deep conversations while they are eating.

The Japanese are different. They begin by being very silent and formal at a banquet, and then as the banquet progresses you get noisier and noisier and noisier. You're supposed to

demonstrate that you're relaxing, because to them being silent is formal, and talking a lot is informal.

Now for us it's exactly the opposite. At a formal do, you just better talk because otherwise you show that you're there for the food. Whereas if you're at home, you don't have to keep it up, then you can keep quiet and just eat. So informal is being quiet for us. It's exactly the opposite.

Now a lot of our manners are distinguished, East versus West. We give our food in portions and they don't. They eat from the central dish. On the whole, people who share a dish, as opposed to having separate plates, eat in silence. It's easy to understand why, everybody is trying to make sure they get their fair share. We have to have portions if we're going to talk because at least we know we're going to get enough to eat.

Another point is that this kind of thing influences the speed at which people eat. People often say that when they go to China, they can't believe how fast people eat. They can't understand it. Well that's because the Chinese don't go for the talking all the time while they're eating. And so no talk, of course, makes you eat faster.

And then added to that is the matter of temperature of the food. If you eat with your hands your food will be cooler. You don't have sizzling dishes that you can eat with your hands. So this influences the cuisine. And then chop-sticks, which are older than forks, enable the Chinese to eat hot sizzling dishes. But they banish the knife to the kitchen, so everything's chopped in advance. So of course it gets cold quicker, so you better eat faster.

You see how all these things, the cuisine, the temperature, all this plays together in this game. The Chinese say that when they're eating they are aware themselves of three things. Each time they take something — await, avoid, attach. In other words, you look at what you want, you look around, and then you zero in.

And you must show co-operation, contact with others, consideration, competence, timing, every time you take a piece. So this is really difficult stuff.

Of course, we have got over that by having platters and serving spoons. The time was when people would bring their own spoons to the dinner, or there would be only one spoon. You would eat and wipe your spoon on your napkin and pass the spoon on. So gradually, we evolved this idea of having a serving spoon and then also a spoon for yourself.

The Chinese say do not let anybody know what you like. Don't reveal your preferences, don't let anybody know that you're dying for another shrimp. They're not supposed to know what it is that you want — that's a really well-brought up person. You must also eat the warmed up dishes and not only the sizzling one, because those are the ones from yesterday. Okay, you don't show that you even noticed.

For them, rice is the portion. They get a portion of rice and when you eat it you can lift the cup under your chin and you can shovel it in. And you move the cup around, because it's very bad to spill anything. For us, of course, you're not allowed to lift your plate up off the table. For one thing, it's flat which makes it very difficult and then it's our rigid posture, you have to sit bolt upright. And we use our implements to carry the food.

For the Chinese, their rice plays the role in their food that the bread does in ours; it's the staple. And wherever you have a staple, you have enormous numbers of rules about it. About not wasting it, about showing respect for it. Think of the word bread. You break it, you have a side plate. Are you expected to spread butter on it and, if so, how much?

Japanese manners demanded that you eat every grain of your rice. You showed you were finished the meal, and this was old-fashioned formal manners, by lifting the bowl up and showing everyone it was empty. That means you've had enough, you've finished the meal. And of course we used to have this sort of thing; you must eat a lot of bread, they have to eat a lot of rice.

Now in many other cultures it's quite okay to slurp your food and suck your bones. By the way, do not rattle your chop-sticks, not done. Apparently, beggars do this and it shows that your bowl is empty, in other words you want some more. So you're allowed to slurp but you must not rattle.

Now the reason for all this, is that for men, the point is that you're loving this meal. That's manners, to show appreciation for the meal.

Now in our culture, as we've already seen, we're not there for the meal, we're actually there for the conversation, so we don't want any noise at all except for talking. I remind you, no matter how quiet you are with your knives and forks, they will clatter more than chop-sticks do. Certainly more than hands do, so we are quite noisy with our implements. And then there's the whole business about how we are not allowed to open our mouths.

Other people don't feel so strongly about this, they're not nearly so put off by food in someone's mouth. What is it about us that makes us so hysterical about somebody opening their mouth with food in it? Just to put it briefly, it's that our culture has trouble with slime.

In North America we like to know what we are eating, this is very Anglo. We get this from the Brits. We don't like food with sauce on it because you don't know what's under the sauce. We might even like to have food like meat, and then potatoes, and then vegetables with a bit of white plate in between.

And we might even eat, first, all the vegetables, then all the potatoes and then the meat. So it's all in the right layers, even in our stomach.

Now consider what happens to this purity that's on our plate, and we all know what happens when it gets into your mouth. Now, I hesitate to even speak about this after lunch, but it's sort of thrashed about and becomes slimy and mixed up, all the things that drive us mad. We don't even want to

know about it; we don't want to hear about it; we certainly don't want to see it. So let's keep our mouths shut.

So that's very old in our culture. An etiquette book of 1591, says: "Do not open your mouth when you eat for people will see the food roll by, which is a foul sight."

The Orientals will say you should praise food unstintingly, and of course, we're not supposed to. The French have a problem here because they're so convinced that their food is so fabulous that everybody should praise it. But then they also feel that you shouldn't; so they have a terrible ambivalence about this. Should we praise? should we not?

The French think that their sauce is so good that you can actually wipe your plate with a piece of bread. You have to do it right, the correct way, but you can do it. Whereas the English don't. This might say a great deal about English gravy.

And finally after the meal, nowadays, I've noticed that people who come to dinner at our house try to help with the washing up. Then the hosts usually refuse. We have a problem here because in our culture we are romantics still and we believe a climax should happen at the end.

Now if you do the washing up after the meal, that sort of ruins the effect.

I'll just remind you finally there's an ancient saying in China: "After the banquet, honourable guests should make strenuous efforts to clear the dishes away from the eating space, but the host must calmly but with forceful authority prevent them from doing any such thing."

The appreciation of the meeting was expressed by William Whiteacre Q.C., Counsel and Honourary Solicitor, The Empire Club of Canada.



April 6, 1992

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

The Hon. Frank McKenna

Premier of New Brunswick

A NEW AGENDA FOR CANADA

Introduction: Roland Lutes

President, The Canadian Club of Toronto

The topic of today's address is A New Agenda For Canada.

An agenda is an order of approach. There are several reasons why it might be important to review Canada's priorities at this point in time. Our economic difficulties may appear to be short term but the solutions to those problems have long-term implications. And by this I am referring to five:

- First: Free trade — both within Canada and internationally
- Second: Public debt and public sector service delivery
- Third: Education of our young people
- Fourth: The welfare trap and how we change to get rid of the trap
- Fifth: Health care costs and how we define and manage the system

Tied to our economic fortunes are our political fortunes. We have some tough choices to make in the next short while that clearly will have long-term implications.

Our speaker today is a politician that doesn't sound like one. He is one of a new breed, almost a new species. To use a maritime expression to describe him — he calls a spade a shovel. He is very up front and very candid. In addition, he has proven himself to be a good manager. Like private sector managers these days, he has

made significant changes in the way government does business. The credit rating of New Brunswick is now the same as it is for Ontario and Alberta.

Our speaker was first elected to the New Brunswick legislature in 1982. He became premier in 1987 and is now serving his second term as premier.

Ladies and gentlemen, it is with a great deal of pride and pleasure that I introduce the Premier of New Brunswick — the Honourable Frank McKenna.

Frank McKenna:

The title of my address this afternoon is A New Agenda for Canada.

Quite an ambitious title. But I have two reasons for making it. Firstly, I believe we should always strive to extend our reach beyond our immediate grasp because, as Henry David Thoreau once said: "In the long run, men hit only what they aim at. Therefore, though they should fail immediately, they had better aim at something high."

And if I am aiming high today, it is because I believe that this great country of ours — this country we so often take for granted — deserves no less from its citizens and its leaders.

My second reason is that I believe the time has come in Canada to start looking through the other end of the telescope. At the moment, Canadians from coast to coast are focussing their attention inwards, and are intensely preoccupied with constitutional matters.

I believe it is essential that we address our constitutional concerns — and that we do so in a flexible and accommodating manner. However, I am deeply concerned that if we don't start looking at how other countries are playing the game, we will be left throwing in the bullpen while the rest of the world plays out the ninth inning.

So I want to talk today about the three Es — not a triple E Senate — but Education, the Economy and our Environment.

I believe, ladies and gentlemen, that we must start thinking globally on all of these issues. We must start being more competitive; more open in our trading relationships; undertake

more innovation and research and development; make quality a hallmark of everything we do; protect and enhance our environment before it is too late; redirect our resources where they can help the greatest number of those in need; and, above all, strive for excellence throughout the spectrum of learning.

We may also have to take down some of the barriers that interfere with our ability to compete: such as high wages and overhead costs. And we must move quickly to halt the escalating costs of social programs. We must refocus them and make better use of our resources, so we can really target child poverty and so the most needy among us may continue to be supported.

If we do not, then access to our generous social programs — the programs that make us different from our neighbours to the south — is in danger of being eroded.

We must start changing our thinking about the things we do — and about the way in which we do them. If we do not, ladies and gentlemen, then I submit that the 21st century will assuredly not belong to Canada.

Firstly then, let's take a look at what has gone wrong in education — at why we need a new agenda for Canada that includes excellence throughout the spectrum of education, learning and training.

Education, Training and Literacy

Despite being one of the highest spenders on education in the industrialized world, Canada has one of the worst drop-out rates, and the highest levels of illiteracy. As well, we have one of the shortest school years and our students are not competitive.

I know people are critical of comparisons with the Japanese, particularly with regard to education. But they are not the only ones with whom we should compare ourselves.

Few countries spend more on education than Canada. Yet on the recent international assessment of educational progress, released in the U.S. in February, Canada's 13-year-

olds placed ninth out of 20 nations in a comparison of math and science skills — behind students from Korea, Taiwan, Switzerland, Hungary, the former Soviet Union, France, Italy and Israel. Japan, Germany and some other countries did not participate in the test.

Unfortunately, our students fare worse as they get older. The 1988 second international study of achievement, in which 23 countries participated, ranked Canadian Grade 5 students in sixth place. But by Grade 12, they had plummeted to 22nd place. It distresses me profoundly when I learn that in — for example, biology and physics — 90 per cent of Canadian schools ranked below the worst school of the leading country in the survey. How does it make you feel?

In the year 303 B.C., Diogenes said: "The foundation of every state is the education of its youth." Over two thousand years later, I believe it is time we started to take serious note.

As Canada searches for a secure place within a new global economy, we must start placing greater emphasis on educating our people and preparing them for a new world; a world in which shrinking financial resources mean we must make the best possible use of our education dollar.

Our only natural tool today is education and training. Our only strategic asset — in the 21st century — will be the skills of our work force.

And although Canada is expected to face a severe shortage of scientists and engineers within the next five to 10 years, we continue to turn out lawyers and MBAs. In fact, Canada has 20 times as many lawyers, per capita, as Japan. Conversely, Japan has four times as many engineers, per capita, as Canada.

We all know that the nations that train engineers will prevail over those that train lawyers. But we keep right on training more lawyers, despite the fact that no country has ever sued its way to prosperity. Despite the fact that we face a shortage of some 45,000 engineers by the year 2000, and despite the fact, that, in a few short years, Bell Northern Research — one company alone — should be able to hire all

the electrical engineers that Canadian universities now produce.

Does Canada need a new education agenda?

I cannot overstate the importance we must attach to math, science and literacy skills. Canada is one of the very few advanced societies without national examinations or even provincial ones, and I believe the time has come to introduce standardized testing.

We must also encourage more young women to take math and science; make the use of computers an everyday skill for school children, just like reading; reduce our totally unacceptable level of school drop-outs.

I realize that we already ask a lot of our teachers. But perhaps we have been asking them to do the wrong things. And perhaps we need to start at the beginning and reform the programs that prepare teachers. We might, for example, require science teachers to have a first degree in science; ensure that those who teach at the junior high or high school level have a sequential BEd which follows a first degree in their particular area of specialization, rather than the integrated four-year BEd.

We must also empower teachers by giving them more autonomy, by providing incentives and by rewarding excellence. We must also ease teachers' burdens in other ways. Studies have shown that there is no direct correlation between increased levels of funding to the formal education system and student achievement. So perhaps our money would be better spent on making sure each and every child comes to school ready and able to learn; by ensuring pregnant women and their infants receive adequate nutrition; stepping up pre-school screening; enhancing early intervention programs; providing special programs for the learning disabled and for gifted children; improving integration; and providing mentoring and peer tutoring.

By concentrating on these areas, we can identify difficulties before they become real problems — problems that

require costly remedial treatment, and place a huge burden on teachers.

We should aim, in Canada, to have the best school-retention rate and the best school system in the world.

On the question of literacy, as you probably know, one in five Canadians is functionally illiterate. And there is a direct correlation between level of schooling and employment. A majority of Canadian firms report that illiteracy is emerging as a major problem among their work force.

Those Canadians that lack literacy skills often hide in jobs with low skill-level requirements and low wages. But the nature of work is changing — and the demand for skills is increasing.

That, combined with the fact that many companies now require job candidates to pass a literacy test, means more and more Canadians who are unable to do everyday tasks — the tasks that you and I take for granted — are going to find it harder and harder to be self-sufficient. Not only does this cost society billions of dollars in income assistance and unemployment benefits, it is a deeply distressing and unacceptable waste of human talent.

In New Brunswick we are doing some innovative things in literacy. In partnership with business and industry, we are helping initiate community-based programs. We are taking them out to the people who need them, where they need them: out to fishplants, the factories and the church basements. We are committed to stamping out illiteracy in New Brunswick and we are mustering all the forces we can to combat it.

I have seen example after example, in New Brunswick, of people who left school in Grade 6 or even earlier. People who have grasped the opportunity when it has come their way. People with enormous courage, who have enrolled in literacy training — and can now get a job, support their families, do their own banking, read to their children and lead truly independent lives.

But if illiteracy is causing enormous problems in terms of Canadian productivity, it is not the only cause. The face of work in Canada is rapidly changing, demanding new and higher level skills. And our education system must be able to adapt to prepare people for those changes.

Education for education's sake is a worthy deal — as far as it goes. But as we approach the 21st century, we had better go further than that, because — let there be no doubt — Canada's ability to compete depends in large measure on the skills and knowledge of its work force.

I read an interesting article recently by a U.S. educator, which reviewed the changing face of work in the United States. Canada's experience, of course, has tended to mirror that of the U.S.

At the beginning of this century, by far the greatest proportion of Canada's work force was employed in agriculture: approximately 45 per cent. Today, however, that figure is closer to six per cent. Why the huge drop? Because agriculture automated. And as it automated, we increased productivity. So agriculture is still a central force in our economy, but it is not the cornerstone of our work force.

The share of employment in other goods producing industries — mainly manufacturing and mining — was low at the beginning of this century, but peaked near 40 per cent in 1951. However, it has been on a downward trend ever since, and today, only around 25 per cent of Canadian workers are employed in production and manufacturing.

Why the big drop? Again — because production and manufacturing automated. As we automated, unskilled workers were no longer an economic commodity. That left fewer, but much more highly skilled workers in the industry.

As an example, when the president of a Quebec bakery decided last year to make his operation more technologically advanced, he also found it meant switching from low-skilled to high-skilled labour — and a work force of 100 instead of 350.

Let's look at the service sector. At the turn of the century, approximately 22 per cent of Canada's work force was employed in the service sector. Thirty years ago, it was 47 per cent. Today it is about 71 per cent. In fact, between 1980 and 1989, the service sector accounted for 94 per cent of all the growth in employment in Canada.

Now we all know about the skills that will be needed in the high-tech end of the service sector. But some say that many of those service sector jobs will be at the lower end of the scale: in the fast food restaurants and in the shopping malls. It's true that people won't stop eating hamburgers or buying T-shirts, but the demand for skilled people in those fields will still increase. Why? Because the service sector is automating — just like agriculture and manufacturing did.

Some of you are bankers, so I am sure you know that approximately 40 per cent of all consumer banking transactions are done using automated banking machines. But if I asked you what percentage they were used for 10 years ago, you would say: "None — they didn't exist 10 years ago."

The number of cashiers and tellers has not decreased during the decade, that is because banks have taken on additional business and opened numerous new branches. So the traditional jobs are still there. But many of them require new skills for day-to-day servicing of those ABMs and there is also a growing need for highly skilled workers to do the technical servicing.

Do we have enough highly skilled technicians in Canada to cope with the increasing demand for these and other new, technological innovations? I read in *The Globe and Mail* last Thursday that we'll soon be able to do our banking by touch-tone telephone. Credit card companies may soon simply be saying: "Don't leave home!"

What about fast-food restaurants? Is it unrealistic to assume that soon you'll be able to stop at a machine, push a button to select a burger with cheese, push another to choose the toppings you want, and yet another to indicate how you want it cooked? And is it unrealistic to assume that

you will then put in your money — just like a pop machine — and seconds later out will come your burger, untouched by human hand?

No-one will take your order. No-one will take your money. And no-one will prepare your food. Who will work there? Not the 16-year-olds we see now, but highly skilled technicians.

Another example. According to *The Wall Street Journal*, the fastest growing firm in America is one that makes automatic, robotized checkout counters. So soon, instead of a check-out clerk at the grocery store unloading, pricing and packaging your groceries, a robot will do it. Why? Because the technology is rapidly outstripping the quality of the work force and the cost of American labour. So where is the check-out clerk working now? And who will service the robots?

In the information sector, changes have occurred at a much more rapid pace. It's hard to believe that PCs didn't exist in 1982. Or that the ubiquitous fax machine was unheard of — in its present form — until 1986. Now, we're looking at voice recognition from computers, voice print, language translation, and automatic spelling, grammar and punctuation correction. Will our children be adequately prepared to join a high-calibre labour force?

The skills people need today are dramatically different than they were 30 years ago. If we are not careful, we are in danger of producing a ghetto of unskilled labour. In addition to hurting our international competitiveness, that will lead to greater social polarization, greater demands on social safety nets — and higher taxes to finance them.

How well is our education and training system responding to these changes?

We must recognize that not everyone can or wants to go on to university. And given the changing face of the work place, we should initiate more co-operative education programs; introduce German-style apprenticeship programs; and work to dispel the myth that so-called blue-collar work is grimy, unrewarding and somehow lacking in status. In Germany, there's an old story that illustrates the point.

Two mothers were chatting, discussing their children. The first woman said her son was going to study medicine. "That's nice," said the second woman. "Yes," sighed the first, "too bad, though, that he couldn't get a place in the Mercedes-Benz program!"

Historically, Canada was dependent on a steady flow of skilled immigrants from Europe to fill its needs in the fields of mechanics, engineering and electronics. That flow has been drying up in recent years. In addition to improving our own apprenticeship programs, I believe we should open the doors to encourage more skilled workers to immigrate to Canada. If we do not, we will never keep pace with the demand.

Canadian business and industry is surely one of the biggest stakeholders in having a top quality education system. Yet our record in private sector training is dismal. Business and industry must move now to offer constant training and retraining to its employees — in new technologies, but also in communications and leadership skills.

Economic Competitiveness

Recent reports from the World Economic Forum show Canada is falling behind the competition. Although we ranked fifth overall among the 23 OECD countries included in the 1991 world competitiveness report, we ranked a sad 17th in terms of science and technology — due primarily to our low level of investment in R&D. We ranked 16th in internationalization — due, mainly, to our lack of export market diversification. And we slipped to ninth place in terms of business confidence, one place lower than the previous year's ranking.

Let's review the history. In 1950, our manufacturing productivity level was second among the G7 countries. By 1980, we had slipped to fourth place. And by 1990, we had slipped another notch to fifth.

In the '60s and '70s, Canada had rapid growth in production efficiency — at around two per cent per year — and incomes doubled every 18 years. By the '80s, however,

growth had slowed to 0.5 per cent — and by then, it was taking 35 years to double real incomes.

Last year, Canadian manufacturing productivity dropped for the third year in a row, plunging 5.3 per cent — the worst drop since the 1981-82 recession. And the overall productivity of Canadian business fell 2.5 per cent, following a decline of 0.8 per cent in 1989.

Where do the problems lie? Partly in our prices — fuelled by high labour costs and high inflation. In 1980, our average unit labour costs for manufacturing were about equal with those of the U.S. Ten years later, Canadian costs were some 40 per cent higher. And we wonder why we have difficulty selling our products both at home and abroad.

If we do not achieve faster productivity growth in the 1990s, we will be faced with cutting wages, cutting production, closing plants and laying off workers.

We must also step up our adoption of new technologies. And improve our dismal record in research and development. Scientific and technological advances impact our lives personally. But they also determine how competitive countries are. With the world changing from a resource-based economy to a knowledge-based economy, Canada is falling short of the mark.

Our R&D investment peaked in 1986 at 1.43 per cent of GDP. Since then we have slipped. In fact, a 1988 study by the Organization for Economic and Cultural Development found that Canada ranked a disturbing 10th of 11 countries in gross domestic expenditure on research and development, as a percentage of GDP.

The United States spent \$560 per capita, while Canada spent \$244. The U.S., Japan, Germany and Sweden spent more than twice what Canada spent on R&D. And we were also outspent by France, the Netherlands, the United Kingdom, Norway and Italy. Only Australia lagged behind Canada.

As well, Canada ranked ninth in the number of researchers in the labour force. Canada had 4.4 researchers per 1,000

workers; the U.S. had 7.6 and Japan had 8.4. How can we compete on that basis?

The Canadian Manufacturers' Association warns that Canada may become a technological third world country unless business, government and industry pull their weight.

It's quite clear that we have not adapted to global change nearly as much as we should do, if we hope to regain our economic competitiveness. What might some of the elements be of a new agenda?

I don't purport to have all the answers, but I do believe we should start now to look at new ways, new approaches, new priorities.

I believe, for example, that more science-driven innovation must be undertaken by industry. At the moment, industry investment in R&D is low. In Canada's manufacturing sector, only three per cent of companies do any research at all. And overall, industry investment is three-quarters of one per cent of GDP — compared with two per cent in Germany, the U.S., Sweden and Japan.

Our pulp and paper industry, for instance, spends less on research and development than its major competition — 0.3 per cent of revenues in 1988, compared to one per cent in Sweden, Japan and Finland. So how can it compete on that basis?

But despite the need for industry to step up its R&D efforts, there is a strong onus on the Federal Government to support it too. For example, in 1990, the Federal Government spent \$2.7 billion on R&D — but the largest chunk (53 per cent) went to Federal Government research organizations — and just 19 per cent to business.

We need new programs to help industry and our research community work together, pooling their capital and resources. Government laboratories must work more closely with business. Industry must be helped to acquire new technology. And the tax system must be revised to improve the investment tax credit for R&D, thereby encouraging small business to perform more R&D.

The Federal Government has said we should increase our R&D spending by the year 2000 to 2.5 per cent of GDP. Is this enough, given that Sweden, the U.S., Japan and Germany spent more than that back in 1988?

Fraser Mustard, President of the Canadian Institute For Advanced Research, put it succinctly when he said that natural resources are less and less able to sustain the levels of wealth to which we have become accustomed. And that we have to make our society more idea- or R&D-driven, in order to create more wealth in this country.

What makes our neglect of science and technology so poignant is the extraordinary achievements of Canadians in this field over the years. Achievements like the Nobel-Prize winning research into molecular spectroscopy by Canadian physicist Gerhard Herzberg; the development of cobalt 60 cancer therapy; a fibre-optic system for the world's first open-heart surgery that used a laser to clear clogged arteries; major breakthroughs in the fields of food science, health care, energy, building research, transportation and communications; the development of canola oil, so important for international agriculture; a technology to prevent forgery by putting an optical thin-film coating on \$100 and \$50 bills; the discovery of insulin; and many, many more.

Some Canadian companies like Northern Telecom, Spar Aerospace, and CAE, have a long and sustained history of R&D investment. And where Canadian industry has made heavy investments in R&D it has shown that Canada can compete and win.

And while we step up our own R&D, we must also take greater advantage of R&D performed in other countries — take it, improve on it where we can, and market it. Look at the transistor, developed in the U.S., yet marketed on a massive scale by the Japanese. Or the VCR, which was developed in Holland, but has been turned by the Japanese into an essential appliance in over 85 per cent of North American homes.

With the world shifting toward value attached to the knowledge content in products — and away from the

resource or material content — our traditional reliance on exporting resources, with little processing content, does not bode well for the future. Many of the countries that are doing well internationally are resource-poor. The construction boom that is currently underway in Hong Kong, for example — amounting, I believe, to some \$100 million — is ample proof of that.

We must place more premium on adding value. It's no longer enough to be hewers of wood and drawers of water. We rely too much on selling logs and not enough on cutting them to meet the demanding specifications of foreign construction markets.

About 98 per cent of Canadian business is small business. But despite its key role in the economy, small business doesn't carry much export clout. Small manufacturers in the late '80s accounted for only three to four per cent of the dollar value of manufactured exports. They need to diversify not only products, but markets too. Right now, a high dollar, steep borrowing costs and inflation have confounded their success in penetrating foreign markets.

Unlike Canada, Germany's small business sector is a major player in export markets. Its 300,000 small and medium sized firms account for nearly 30 per cent of exports — using niche markets and stressing innovation in both products and processes. Where the Germans have the advantage is in a strong support network of government, banks, trading companies and trade associations. This provides small business with easy access to export services.

Our trade with Asian nations is 11 per cent of our total trade. Yet by the end of the decade, the Asian-Pacific rim will account for 60 per cent of the world's population. If there was ever an urgent need for Canada to stake a bigger claim to the Asian marketplace, that time is now. The developing world is home to four-fifths of the world's population. We are being short-sighted if we don't act now to capitalize on the Third World's enormous potential.

The lack of co-ordinated trade promotion on a national scale shows our overseas customers that Canada lacks a coherent trade agenda. We don't have enough companies in the game. To encourage more, we need a national export strategy — one that also addresses the needs of the small-business sector.

But if we are to secure new foreign markets, what about our own, here at home? Over the past few years, we have seen example after example of barriers between provinces impeding trade. In the Maritimes, we have taken a number of steps toward removing those barriers. And similar moves have been made among the Western provinces.

However, I remain deeply frustrated at the lack of progress made at the national level. Why, for example, can I buy a bottle of New Brunswick-brewed Moosehead beer in Illinois or New York State, but I can't buy it anywhere else in Canada? It just doesn't make sense. Protecting markets has never worked in the past. It doesn't work now, and it won't work in the future.

Recently-announced intentions to move towards the removal of barriers to the sale of beer is a step in the right direction, but more is needed. Because of the lack of progress in concluding a national agreement, I am prepared, as Premier of New Brunswick, to sign a similar, bilateral trade agreement, with any other province or territory in the country.

I recently returned from a business mission to Hong Kong and Japan. I was absolutely amazed at the enormous business potential I saw. But two things in particular stand out:

In Hong Kong, it was obvious that you don't have to be resource-rich to be enormously successful. An excellent education system can more than compensate for the lack of traditional natural resources.

But what struck a responsive chord in Japan was the fierce and unrelenting commitment to quality. I believe that if Canada does not start building uncompromising quality into our production processes, our products, our services —

indeed everything we do — then we haven't a hope of making significant inroads into that rich market.

You're all familiar with Ed Deming, the U.S. quality guru. Well more than 40 years ago, the Japanese were listening very carefully to what he had to say. And since they introduced the Deming Award for quality in 1950, they went on — as you know — to outstrip their industrial competition. How did they do it? With superior performance, geared to quality.

I firmly believe that if Canada is to compete, we must make quality a hallmark of everything we produce. But it shouldn't stop there. Quality should follow our products in terms of service and follow-up. And we must make sure our customers are so satisfied that they keep coming back for more.

A society's work culture also has a large impact on its competitiveness. According to the international labour office in Geneva, the Koreans work 48.2 hours per week, the Japanese 46.1, the United States, 34.5, and Canada, 31.5.

In addition, due to strikes and lockouts in 1990, Canada lost 270 work days per 1,000 workers. By contrast, the United States lost 50 days, Germany lost 13 days and Japan lost 3.5 days.

Canada's competitiveness is also affected by the cost of government. Health care costs are escalating and new arrangements are needed for delivery of our health care system, to make it both effective and efficient.

And we must streamline in other areas too. For example, Ottawa now spends 36 cents of every dollar in its budget to pay interest on past debt. And last year, it cost taxpayers \$585 million to operate Canadian legislatures. That is about \$21 per Canadian, compared with \$6 per person in the United States.

We simply must do more with less and start living within our means. In New Brunswick, for example, we reduced our cabinet by 25 per cent. We are reviewing all our programs and services, streamlining many programs and cutting out those that have lowest priority. As well, we are introducing

legislation this year, to balance our ordinary account budget over a five-year cycle.

But if governments must start living within their means, what about Canadians themselves? The bankers among you will know that the average Canadian household has a consumer debt equal to 75 per cent of its annual income. That is quite a load. We must stop being a nation of borrowers.

If, instead, we become a nation of savers, our businesses will be able to borrow at lower interest rates, fuelling expansion and new job creation. Consumer debt, however, borrows from tomorrow's standard of living for today's gratification.

The world is changing and we are not changing fast enough to keep pace. If we do not act quickly to boost productivity, adopt new technologies, be more efficient, undertake more R&D and secure new markets, then our economy will surely suffer in the years ahead. It will also suffer if we do not heed the call to understand our environment.

Environment

Aldous Huxley once said:

Such prosperity as we have known it up to the present, is the consequence of rapidly spending the planet's irreplaceable capital.

Ensuring our environmental future is not further compromised must continue to be a top priority. More and more hard evidence is emerging of the problems we face on a global scale.

Serious damage has been done to the earth's ozone layer by chemicals such as those used in refrigeration, air conditioning and sterilization of medical equipment. The resulting environmental impact could be dramatic in the future in terms of human health, as well as that of animals and plants.

At both federal and provincial levels, Canada is moving to support an international phase-out of ozone depleting substances. For our part, New Brunswick will implement regulations this year as part of our clean air strategy.

But even were we able to stop all such chemical uses immediately, on a worldwide basis, the environment and public health hangover our society has created for itself — by weakening the ozone layer — may last for decades, if not centuries.

A preventative approach is needed above all else, or we will never be able to afford the cost of environmental cleanup. We need a meaningful commitment by all players in the economy to the concept of sustainable development. And I see signs of that emerging.

As Jacob Bronowski puts it: "Man masters nature not by force, but by understanding."

The national packaging protocol, for example, adopted by all governments and the packaging industry, will see a 50-percent reduction of packaging waste by the year 2000. We need a lot more of that kind of action.

In New Brunswick, we are putting in place a new deposit-refund system on all soft drink and alcoholic beverage containers. This will encourage consumers to buy refillable containers — providing more environmental benefits than recyclables.

This shows how economic factors can help build environmental protection. In the future, the same sort of system could be applied to old tires and car batteries, working to the benefit of all Canadians.

In the next few months, New Brunswick's Round table on Environment and the Economy will be presenting its recommendations. They will receive very serious attention.

New Brunswick's industries are developing new waste reduction systems and innovators are developing resource recovery technologies, aimed at turning waste into new raw materials. As well, environmental consulting firms are selling their expertise in international markets. And new environmental cleanup systems are being developed in response to local problems.

It is in all of our interests to encourage this kind of environmental entrepreneurship throughout the country. Not only

will our environmental quality improve, we will also be able to market our expertise abroad — as part of the rapidly expanding knowledge industry of the future.

Ladies and gentlemen, we must take a global perspective in Canada, if Canada is to be a global player.

Let us commit ourselves to a new agenda for Canada. A Canada that maintains its traditional values of generosity, of tolerance and of peace-making. But a Canada that aims much higher still:

A Canada that values its people — by giving them the level of skills and the breadth and depth of knowledge that will stand them in good stead as they face the challenges of a new century;

A Canada that does not borrow the earth from its children — because over the long term, Canada will be shaped by the decisions that shape its environment;

And finally, let us aim for a Canada that is productive and prosperous.

It is my hope that with a new agenda, the people of Canada — and their leaders — will create a new synergy, bringing Canada to its rightful place in the new world economic order.

The appreciation of the meeting was expressed by John F. Banks, President of The Empire Club of Canada.

For the winter is past,
The rain is over and gone;
The flowers appear on the earth;
The time of the song of the birds has come,
And the voice of the turtle is heard in our land.

Song of Solomon

My name is John Banks. As President of The Empire Club of Canada (and as a lawyer and MBA) I am pleased to thank our speaker.

In the words of the British poet and dramatist T. S. Eliot: "April is the cruellest month." Indeed it is. The thought of writing cheques at this time of year for income tax does little to quiet one's soul.

This April, the concerns for many Canadians go beyond meeting our annual tax obligations. This year, with the country gripped in

the throes of heated constitutional and economic debates, many constituencies and interest groups in Canada are seeking immediate solutions and redress for their particular introspective problems.

These are important problems. But what gives many Canadians cause for concern is that, in this blizzard of single-issue confrontation, many of our political leaders seem to have that deer-caught-in-the-headlights look in their eyes. They have lost sight of the key issues and policy reforms that stand the best chance of solving many of our nation's problems.

Premier McKenna, these are the same key issues that you addressed in your thoughtful and optimistic remarks today:

- the reform of the education system
- the liberalization of interprovincial trade barriers
- the development of a changed work ethic
- the obligation on the part of governments and individuals to live within their means
- the necessity to think globally
- the need to take a more aggressive and competitive stance in trade and investment
- the merits of focusing on innovation and R&D, and making quality a hallmark of everything we produce
- a better understanding of the devastation being wrought on the world's environment

To save this nation, we need Premier McKenna's kind of clear thinking and straight talk. Unless Canadians continue to focus on these critical issues, then the 21st century will assuredly not belong to Canada.

On this, the first day of the 1992 professional baseball season, I am reminded of the scene from the movie *Bull Durham* where a veteran minor-league manager tries to impart the secrets of the game to his struggling young ball players. "This is a simple game," he says. "You throw the ball. You hit the ball. You catch the ball. You got it?" If only it were that easy. The constant struggle, with its attendant drama, to execute those basic instructions is what draws millions of people each year to ballparks across North America.

Similarly, the resolution of this country's problems is not a "simple game." However, as Canadians glance at the lineup card of political leaders, it is comforting that we have clear-thinking individuals like Premier McKenna on the roster.

I began with a brief reference to taxes. Let me conclude on the same note.

Swiss folklore holds that people are driven mad each spring by a hot wind that blows in from the south, melting the Alpine snows. The Swiss call it the Fohn. If the Fohn has a counterpart in Canada, it

is undoubtedly the hot air emanating from Ottawa and the provincial capitals where legislation to change the nation's tax laws is once again being debated.

Premier McKenna, Ontarians watched with great interest your budget presented in the New Brunswick legislature on Tuesday of last week. The highlights from the budget included:

- no new taxes
- no major program cuts
- a reduction in "sin" taxes, including tax cuts announced for gasoline, tobacco and wine
- government rationalization and the elimination of civil service jobs through attrition and early retirement

Premier McKenna, please accept our congratulations on an austere budget that involved some belt-tightening and some tough calls. We Ontarians hope that these same messages are heard and appreciated by Queen's Park.

Premier McKenna, thank you for your remarks to this joint meeting of the Canadian and Empire Clubs. We look forward to your returning to our lectern in the not too distant future.



April 9, 1992

Willard J. L'Heureux

Managing Partner and President of Hees International Bancorp

CANADA, BUSINESS AND PARTNERSHIPS

Introduction: John F. Bankes
President, The Empire Club of Canada

I am pleased to introduce Bill L'Heureux, Managing Partner and President of Hees International Bancorp. He is speaking on the subject Canada, Business and Partnerships.

Recessions end — eventually. And corporate executives and consumers alike are finding reasons for cheer in the latest upbeat economic numbers. Yet even as recovery begins to take hold, it's hard to shake a deep-rooted worry: That the North American economy has lost its edge.

Whatever the causes, and there are many, the economy has turned in a dismal productivity performance for two decades.

Stagnant incomes and low productivity growth have led some economic commentators to ask the question: Should Canada and the U.S. have industrial policies to nurture and promote technology and industry? (If the label "industrial policy" sets off alarm bells, try substituting technology policy, competitiveness program or growth agenda.)

A recent issue of *Business Week* answered the question on the need for an industrial policy, geared toward the global economy of the 1990s, in the affirmative. The authors commented:

Competitive advantage no longer belongs to the biggest or those blessed with abundant natural resources or the most capital. In the global economy, knowledge is king. And those nations that excel at creating new knowledge and transforming it into new technologies and products will prosper in years to come.

The article's authors are quick to point out:

A knowledge-based growth policy doesn't call on government to pick winning and losing industries. Nor does it create ponderous bureaucracies or shelter stumbling companies from tough foreign rivals. And while the government may sow a lot of seed corn, it will be up to the private sector to risk its own money to develop commercially valuable ideas. It's the market that picks the winners and losers, not government.

Any discussion of industrial policy raises the prospect of increased interaction and dialogue — and perhaps even a partnership — among several of the major constituencies in society.

Inevitably, whenever there is a change in government and a new political party comes to power, one of the first orders of business is to call together the leaders of the four major constituencies — government, business, academe and labour. The agenda is usually very straight forward: How can we work more closely together in the future?

Few people dispute the need for more frequent interaction and meaningful dialogue among these constituencies. The benefits are obvious! The national agenda for this country can only be accomplished if there is a greater harmony of priorities and agreement about the role each must play on the leadership team.

Why does this interaction and dialogue not happen over a sustained period? Robert Ferchat, Chairman of Atomic Energy of Canada Limited, has a number of explanations. First, it is clear that each constituency has its own priorities and time-consuming administrative duties. Second, the tradition of dependencies and adversarial roles are barriers. Third, the metronome that governs the behaviour of each group is very different; the beats of the various constituencies are difficult to get "in sync" when shared

problems are attacked. Fourth, in the North American economic theology, governments have only a limited role to play.

In the Anglo-Saxon model, governments should protect private property rights, then step back, get out of the way, and let individuals do their thing. According to Lester Thurow, Dean of MIT's Sloan School of Management: "Profit maximization will lead capitalism in the right directions." (Compare this theology with the economic strategies of Germany and Japan. In both countries, governments have pushed actively to throw coal into the economic steam engines. Governments have ensured that economic combustion did indeed take place.)

And, one final hurdle in the way of increased government-business interaction: Everyone has to agree on the rules of the game, the referees and how to split the proceeds.

Bill L'Heureux's address today — on the need for a co-operative approach, rather than a combative one, between government, business and the other principal constituencies — is very topical and timely. The Ontario Government's Speech from the Throne this week made numerous references to the need for co-operation with the business community. For many Queen's Park civil servants, the term "partnership" has become almost a mantra.

Bill L'Heureux brings to this discussion an impressive portfolio of credentials and experiences. By way of background, Bill left the law partnership of Tory, Tory, DesLauriers & Binnington in 1983 to join Hees International Bancorp as Managing Partner. He was named President of Hees in 1988.

Bill has degrees from University of Western Ontario and University of Toronto and has made a significant commitment of time and energy to such extracurricular and community organizations as Canadian Special Olympics, Lester Pearson College of the Pacific and St. Christopher Community House.

Bill, The Empire Club is a small independent association with a lively understanding of legal fees. Accordingly, at the request of The Empire Club directors, I've reviewed my introductory remarks with counsel. Bill, I think that you will agree with me that they contain no defamatory material or actionable statements!

Ladies and gentlemen, please join me in welcoming Bill L'Heureux to The Empire Club lectern.

Bill L'Heureux:

Mr. Chairman, distinguished head table guests, ladies and gentlemen. It is an honour for me to be invited to speak to you today. The Empire Club is an important forum for public

discussion and I feel privileged to have this opportunity at such an interesting time in Canada's (and Ontario's) history.

Thank you Mr. Chairman for your kind words of introduction. The name L'Heureux, as you may know, is French for "the happy one." As a businessman these days I often need to be reminded of that translation.

In 1965, Canadian writer, John Robert Colombo said: "Canada could have enjoyed: English government, French culture, and American know-how. Instead, it ended up with English know-how, French government, and American culture."

I chuckled when I first heard this quote.

I don't believe Mr. Colombo was chastising Canada or lamenting our lost opportunities. He was laying down a challenge to Canadians, through humour, in an effort to help us overcome some of our provincialism, our solitudes, — and inciting us to put our foot down for what we stand for.

Today, I want to speak about one of the things we stand for, are good at, and should be proud of. That is partnership.

Voltaire said: "Moderation is the pleasure of the wise" and partnership is a concept that fits well with our view of ourselves as a moderate people, co-operative and understanding — the "gentle Canadians."

As Canadians, we're usually appreciated for our partnerships. We're good Commonwealth partners, we're conscientious United Nations partners, and more often than not, here at home, we're fraternal provincial partners. We certainly are partners when it comes to defending our nation, our trading rights and our democratic principles.

Look at our North American partnership with the United States. In culture, free trade and defence — you see three areas where partnership principles of trust and compromise must be applied or success will elude us.

And in certain of these areas, we are more successful than in others. For example, "the longest undefended border in the world" (6,420 kilometres, which is not in the Guinness Book

of World Records, by the way) used to mean something. We used to cherish our partnership with the Americans.

But in general, do Canadians see themselves as dealing with important issues in a partnership sense? I don't think so. I think we are somewhat timid, somewhat parochial? We want protected jobs, but we also want the prosperity of a larger society. We want Canadian culture, but who's prepared to give up American television. Most of us want our children to speak other languages — but a vocal group of Canadians don't want language matters of any sort legislated.

Look at Canada objectively. Where else has such a remarkable confederation of diverse provinces ever lasted 125 years? Yet, in our federal-provincial relations, there's always a welter of rhetoric of local or personal interests — but no consistent priorities that you could call truly national issues that can hold us together.

Many Canadians do have a national perspective. For example, we appreciate Canada's geographical variety. We have Carolinian Forests in Southern Ontario — tundra and ice packs in the North — the young Rockies in the West — and the world's largest system of fresh-water lakes — the Great Lakes — all in our wonderful, enormous country.

Wouldn't it be great if one of Canada's big newspapers ran a box on its Front Page every day of the year. And called it: This is what I love about Canada. We could put a new fact in every day, about the greatness of Canada. I have a hunch it could be easy to raise money to pay for the message.

Have you been watching Europe? It's nothing short of astonishing. And it's based exactly on partnership principles. Twelve European nations are harmonizing their markets, and another group of countries want to join them.

Let's put this into perspective.

The Romans unified Europe in the first and second centuries; Charlemagne did it again in the eighth century; Napoleon did it early in the 19th century, and the Germans took a stab at it twice in this century. In those cases, the

invaders used the Vandal's manual on how to harmonize nations: Plunder first and ask questions later.

This time it's different. This time all parties seem determined to build a single Europe. Think of it, 12 powerful, proud, competitive and traditionally protective industrial nations have all signed up for a market partnership. They've looked at world trade now and in the future and decided that if the European nations don't hang together, they'll hang separately.

What they've worked out diplomatically is the equivalent of squeezing the Skydome through the eye of the needle.

For starters, and this is as surprising as anything that has happened in Europe in 1,000 years, the 12 nations have agreed to let the bureaucrats act as final decision-makers for the European Community.

That turn of events has relegated national politicians to a back seat. As back-seat drivers the politicians find themselves in a position of advisers to the bureaucrats, rather than vice-versa.

When you think about it, the arrangement seems to make sense. Unlike politicians, bureaucrats don't live and die by their loyalty to a particular region, nation, or special interest group. The Single-Europe bureaucrats — the Commissioners — make decisions to suit the mandate; and the mandate is to harmonize the markets.

For example, if Europe requires legislation that can be applied uniformly, the Commissioners have the discretionary power to draft and promote the appropriate bill.

Is there a lesson here for Canada structurally? Reverse the power between politicians and public servants? I don't know. Do we want to take a straw vote here today for putting more power in the hands of bureaucrats?

In any event, Europe is heading toward a single market, and on top of that there's a commitment to a political and economic union in the future. In the meantime, we in Canada seem to be going in exactly the opposite direction.

That is, we seem to be going in the opposite direction, at least politically. But in business, there are thousands of daily transactions, communications, and modes of transportation that are drawing us closer together.

I can't help reflecting on Europe, its centuries of war, and the success those nations are having with market harmony. How can our cultural differences and wrangling over the distribution of power be so chronically insoluble at a time when modern Europe is burying its ancient hatreds in the interest of a common market?

Let me bring you back from Europe to Canada — Ontario — to discuss government and business partnerships. First of all, both government and private enterprise, in my view, have got to understand that Canada's future as an important industrial power lies in a productive partnership.

I think you all know that one of Premier Rae's first statements to business was to look to government as a partner. He repeated that invitation in the Throne Speech last Monday. So far, Mr. Rae's a man of his word — a lot of partnership activity that started under previous governments, continues.

And Mr. Rae — according to the Throne Speech — is considering new initiatives. Some of the effort has been brought on by the recession. Some of it has been generated by Canada's Free Trade Agreement with the U.S., for better or worse.

But to be frank — and I know the Premier would agree with this — government and business must work together if we're going to maintain our very high standard of living and manage to pay for our substantial social and welfare commitments.

Canadians — particularly Ontario Canadians — want both: a high standard of living and a strong social net. So, to be productive, it's impossible for business and government to operate in air-tight compartments.

The NDP government is working with business. Let me give you a couple of quick examples.

About two years ago, the vice-chairman of a Scarborough manufacturer went down to Queen's Park to visit the Ontario International Corporation. (Never heard of it? Most of us haven't.) With him was an adviser to the national power utility of Iran.

Iran, not exactly a country known for its political stability; and bordering on Iraq, which only a year ago was up to its sand dunes in tanks and missiles.

Somehow, despite the tens of thousands of reasons that you might think would kill a potential deal with the Iranian power utility, the Ontario International Corporation, in partnership with several Ontario businesses, brought home a \$900-million contract to build a power plant in Iran.

And Bob Rae's government knew what it was doing. Ontario demanded a cash deal because Iran has no line of credit with Canada.

I'm impressed.

And so are the consortium members, which include such Ontario manufacturers as Babcock & Wilcox and the Howden Group and two engineering firms, Acres and Monenco.

The new government of Ontario, with business, also operates the Manufacturing Research Corporation of Ontario, the Ontario Centre for Materials Research, the Information Technology Research Centre and the Telecommunications Research Institute.

These centres are partnerships with companies such as Bell Canada, Noranda, 3M, Westinghouse, IBM, General Motors and Imperial Oil, to name a few. And the partnerships include universities such as the University of Toronto, Waterloo, Queen's and McMaster.

Private enterprise has contributed nearly \$16 million to these research centres, and so far the centres have produced 65 patents and 35 technical licenses. Not bad.

Furthermore, the recession of the past two years has caused business and government to work together to get companies back on their feet. Something we try to do at Hees.

For example, there's the Industry Adjustment Program — a partnership that tries to head off trouble before it arrives. And so far the managers of the Industry Adjustment Program believe they have saved more than 12,000 Ontario jobs since the beginning of the recession, and created, with private enterprise, another 6,000 jobs.

Surveys tell us that one of Canada's and Ontario's great strengths is our educated work force. And it's true. Economic success demands it. In my view, no industrial economy will ever exceed the level of a poorly educated work force.

But education must continue to improve. Nothing is more important than education to help this generation, the next generation and the one after that maintain our enviable standard of living.

But first let me tell you an anecdote.

A recent survey of students in industrial nations had the United States dead last in maths and sciences. Now we weren't far ahead, but imagine students from the most powerful economy in world history — students in the world's greatest export nation — dead last in maths and sciences.

But those same students ranked No. 1 in self-esteem. Imagine that, you have to love the Americans. We Canadians should look into that self-esteem thing.

There's no doubt that we have a well-educated and well-trained work force. In fact, in some situations, we're the world's best.

Example? The president of Toyota Canada and his Cambridge, Ontario, plant were given last year the award for the highest initial quality for all North American auto manufacturers and all Toyota plants in the world. Mr. Kunii, the president, was very pleased with this accomplishment, and told me the major reason for their success was the quality of the employees in the plant. Right here in the heart of Ontario.

One final word on government and business. While my partners and I are not directly involved in the new Ontario labour legislation, it certainly has captured the attention of the business community.

If you can believe what you read in the media, the proposed reforms have created a heck of a controversy. But it's gone beyond a debate about the specifics, or even the philosophy, of the amendments. I think it has become a symbol of the business community's concern that in the middle of this recession, the Bob Rae government is anti-business.

From my remarks today, you can see that I, for one, do not adopt that view. This government is trying hard to work with business.

However, about this particular piece of labour legislation, and this is not an original thought, it might be a good idea for the Premier to consider calling a time-out and send these proposals back to their intellectual parents — with a note — “needs more work.” Mr. Premier, the business community is looking for a signal.

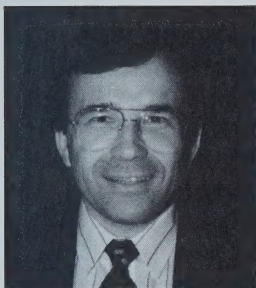
Then a joint business-labour task force should be appointed to study the Ontario economy and its long-term future, including new manners of conducting business and labour relations. Wouldn't it be lovely, if the relations between business and labour could develop into a partnership.

English know-how. French government. American culture. Maybe that's what we Canadians are today. So what. Mr. Colombo reminded us that, as a nation, we have a joint responsibility to develop and nurture our own economy, our own governments, and our own culture. And could we do it as a team — a partnership? Could we somehow forge strong links between business and labour — and government, and links between the provinces? Links — one at a time if necessary to hold us together — to build a new, prosperous and harmonious Canada?

I think we can. If people of good faith — you and me — start today. Then we will.

Thank you.

The appreciation of the meeting was expressed by John Campion, Partner, Fasken, Campbell, Godfrey, and a Director of The Empire Club of Canada.



April 15, 1992

A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

The Hon. Gary A. Filmon

Premier of Manitoba

RECOVERY AND THE CANADA ROUND: A MANITOBA PERSPECTIVE

Introduction: John F. Bankes
President, The Empire Club of Canada

The critical issue facing Canadians — up until this past Sunday at least — was whether the first general strike by players in the history of the NHL would leave the 1991-92 season incomplete. As pointed out in a recent *Globe and Mail* article, hockey fanatics from coast-to-coast were stricken with “get-a-life” syndrome. The couch potatoes among us contemplated seven weeks of prime-time television without the wisdom of Don Cherry! Fortunately, this issue has now been resolved and Canadians can once again turn their attentions to the economic and political issues facing the nation.

It was Wilfrid Laurier who said: “The 20th century belongs to Canada.” As I was growing up in the 1950s and 1960s, my belief in this prophesy was unshakeable.

If Laurier were alive today, would he be disappointed? In a recent speech, Tom d’Aquino, President of the Business Council on National Issues, answered that question in the negative. According to d’Aquino:

(Laurier) would observe that Canadians occupy a land...unmatched in its natural advantages, and one of the truly last frontiers in a crowded and largely

impoverished world. He would be amazed to discover that quality of life here is among the highest anywhere, that we have benefitted greatly from universal education and health-care systems. He would see that we have built a tolerant society respectful of human rights and the rule of law, and take a pride in the fact that Canadian citizenship is the fervent wish of millions throughout the world.

If Canada's political and social achievements would greatly impress Laurier, what would he think of our economic successes? d'Aquino continues:

With barely 27 million people, we have built the seventh largest economy in the world; on a per-capita basis, we enjoy the second highest income among the 24 nations which make up the OECD;...our job creation record has been the best in the OECD during the past 30 years; we are members of the most privileged economic club in the world — the G-7 Summit Group of leading industrialized countries; and, as a major trading nation, we have forged with the United States the world's largest and most economically advantaged bilateral free trade area.

Yes, Canada's remarkable political and economic success, achieved within a federal system of government, would impress Laurier.

Today, however, this extraordinary country is facing serious difficulties. In our political life, cynicism, divisiveness and acrimony appear to have gained the upper hand. And, what should be a rational debate about how to shape our political picture, has become a "crisis" threatening the breakup of the country.

When asked how he felt after having listened to a Wagner opera, Mark Twain thought for a moment and allowed that, well, it wasn't quite as bad as it sounded! But, as pointed out in a recent *Maclean's* article, Canada's constitutional wrangle is just as bad as it sounds. And despite the apparent softening in the Quebec position, it isn't over yet.

The question is often asked of political leaders in this country: When are Canadians likely to see an end to the constitutional debate which, in a variety of different formats, has plagued this country since Confederation? I am reminded of a short story. The Canadian Prime Minister asks God two questions: "Will the constitutional debate ever dissipate? And, if so, when?" God replies: "The answer

to your first question is probably; and the answer to your second question is not in my lifetime!"

If our body-politic is unwell, so is our economy. With 1.4 million unemployed Canadians, rising bankruptcies, and growing numbers on welfare, the human costs of the current recession are painfully evident.

What has gone wrong? What steps must be taken to put our political and economic house in order? How can our political leaders address the malaise troubling Canadians today?

We are very fortunate today to have as our speaker the Hon. Gary Filmon. From his vantage point as Premier of Manitoba, he will address us on the subject of Recovery and the Canada Round: A Manitoba Perspective.

By way of background, Premier Filmon is a native of Winnipeg. He is an engineer and businessman. Politics, however, have played an important part throughout his career. Mr. Filmon was a Member of Winnipeg City Council from 1975 to 1979 and was first elected to the Manitoba legislature in October 1979.

Leading up to his current position, Mr. Filmon has overseen a number of cabinet portfolios in the Manitoba Government including Consumer and Corporate Affairs, the Environment and Housing. His calling card these days reads: Premier of Manitoba, President of the Executive Council and Minister of Federal-Provincial Relations.

As many of you know, the Manitoba budget was tabled in the legislature on March 11. The budget was fiscally restrictive in profile. Deficit control was clearly a major focus in spite of still difficult economic times. Fiscal initiatives were directed toward improvements in competitiveness and productivity. Premier Filmon, in your meeting tomorrow with Premier Rae, we Ontarians hope that your Manitoba brand of fiscal responsibility rubs off on your Ontario counterpart.

Finally, The Empire Club has a long-standing tradition of welcoming its speakers to the lectern with the expression: "Break a leg!" The message is delivered, of course, with great affection. Premier, under the circumstances, perhaps such a greeting today may not be appropriate!

Ladies and gentlemen, please join me in welcoming the Hon. Gary Filmon.

Gary Filmon:

Ladies and gentlemen:

I very much appreciate the generous introduction and the chance to be with you today.

I should explain that the crutches are for an ankle I broke recently in British Columbia, not for sympathy as some of my political opponents have suggested. The good news is that I'm not supposed to stand on the ankle too long, so my speeches aren't too long these days either.

Though not too much has been made of it yet, the end of this month will mark the fifth anniversary of the Meech Lake Accord. Unfortunately, there won't be much celebrating.

The wounds Meech caused are still open and still potentially fatal. The national economy is anything but healthy, and it is deepening some of the divisions among provinces and regions.

The political leadership of this country is not exactly held in the highest regard, and, at times, with good reason. Expectations have been too high, and promises have been too quick and too big.

Of the 11 First Ministers who were at Meech Lake in April, 1987, seven are no longer in office, and an eighth — the Premier of Quebec — has chosen not to come to the negotiating table.

The scenario becomes even more difficult if you add in some other factors:

- A world economy that is both sluggish and unstable;
- a back-breaking government debtload in this country, and heavy public-sector demand for capital, at a time when investors in the U.S. and elsewhere around the world are asking probing questions about Canada's future, and
- a constitutional reform process that is up against tight and critical deadlines.

Each of those challenges would be a handful on its own. In combination — in this spring and summer of our 125th birthday — they promise to test Canadian spirit and will as severely as we have ever been tested.

The temptation to succumb to pessimism is strong.

Probably no one in this room can say, in all honesty, that he or she hasn't felt at some point in the last six or nine months that it's all over for Canada as we know it, that our

national divisions are irreconcilable. I know I have felt that way at times. But those feelings haven't lasted very long and I'll explain why.

First, I know that there is still a substantial reservoir of goodwill left in the country. It isn't bottomless, but it is there and it is large and it is real. It should never be underestimated.

There is also genuine goodwill among political leaders. We have our partisan skirmishes from time to time, but we are also working hard to find as much common ground as we can.

A small example, perhaps, but virtually every Premier, myself included, has met personally with Premier Bourassa in the past six months, and we have met collectively on three occasions with the Prime Minister in the past four months. Our common economic problems have reminded us that all of us are stronger than each of us.

Most of the time Canadians are a tolerant and a generous people, and part of the reason is that we are so blessed with economic assets. In fact, from a distance, we are still the most favoured nation in the world. Unfortunately, when our economy is not performing well, we tend to forget, or undervalue, what we have to offer.

In my own province, we have a balanced economy — in many ways, a microcosm of Canada — with rich mineral resources and some of the best farmland in the Prairies. We have plentiful supplies of fresh water and the clean and renewable hydroelectric power reserves that go with it. We have a strong service sector, including financial services and all the supporting infrastructure, private and public.

Many of you here can attest first-hand to the quality of Manitoba's education system. We have traditionally been a major supplier of skill and talent to this province and this city.

And Manitobans have a quality of life that we think is unmatched anywhere.

Ontario's basic assets are every bit as sound. You have problems, some big ones. So do we in Manitoba. So do all Canadians. But I believe we have the maturity and determination to confront them as a nation and to turn a period of introspection and self-evaluation into a period of nation-building unequalled in our history.

But there will be hard choices and they will have to be made soon.

I believe Canadians are ready to make those choices. On the economic side, we can't bring about recovery entirely ourselves. Much depends on the choices some of our largest trading partners make. But we do have the option of placing ourselves in the best possible position for recovery and for long-term growth.

There are choices individual governments can and should make on their own, and there are choices which I would hope the federal and provincial governments can make co-operatively.

The first choice relates to living within our means. That's the choice we call biting the bullet and it is far from painless. But it can be done. We have done it in Manitoba and take considerable pride in the results.

Since our government took office four years ago, we have presented five budgets. Not once, in any of those five budgets, have we raised major taxes — corporate and personal income taxes, sales or gasoline taxes. In fact, we have reduced some of the key rates to improve our competitive position.

That's been made possible by a rigorous system of expenditure and deficit control which included a freeze on public-sector wages and a reduction in civil service positions of almost seven per cent. At the same time, we've been able to sustain essential services such as health care while we move to more fundamental reforms.

In our last two budgets, we were able to introduce some new measures to encourage economic development and recovery, including:

- The Mineral Exploration Incentive Program,
- a temporary tax credit for investment in manufacturing and processing,
- an Education and Training Payroll Tax Credit,
- a Research and Development Tax Credit,
- a labour-sponsored investment fund,
- Rural Grow Bonds, and
- the Economic Innovation and Technology Fund.

All these measures are being co-ordinated by a new cabinet economic development board, which I chair.

The consistent application of the principles of fiscal reality and the willingness to make tough decisions through four years and five budgets have kept the dislocations and adjustments during the recession manageable and minimal.

A look at this year's provincial budgets will tell the story. But next year's will be no less important. Fiscal responsibility means a long-term commitment. It is a principle, not an expedient.

So that is one choice and it is critically important.

Another choice all governments in Canada must make is whether or not to work together to encourage recovery — or whether to go our own ways. Just three weeks ago, a few blocks away from here, First Ministers met to discuss a range of options for co-ordinating our economic policies. Though we didn't make as much progress as we hoped for, we did reach some important agreements:

- On further reductions to interprovincial trade barriers;
- on international trade promotion;
- on more effective training programs, and
- on fundamental reform of the health care system.

And we agreed in principle on a major new initiative — a national highways program to strengthen our economic links and to create jobs starting this year.

We didn't achieve agreement on national guidelines for holding the line on taxes, and for controlling expenditures

and deficits — but we are not giving up. We will continue to pursue that goal because we believe it is essential for the long-term health of the Canadian economy and the economies of all the provinces.

I won't dwell on it, but I was disappointed, too, by the decision the Ontario Government made to translate its legitimate concerns about federal offloading into an apparent threat, during the First Ministers' Conference, to its traditional support for equalization for provinces such as Manitoba, whose taxing capacities are below the national average. I know our concern about Ontario's position was shared by all the smaller provinces.

In the past, Ontario governments have understood that Canada's equalization system is in place partly to compensate other provinces and regions for the economic costs they have paid over decades to support the national tariff and freight rate policies which helped build Ontario into the largest and wealthiest province. Ontario taxpayers pay more of their federal tax dollars into equalization than other provinces because they earn more and have a stronger economic base.

And equalization has clearly benefitted Ontario by sustaining markets in other provinces for Ontario's output.

In these circumstances, I was obviously pleased to see a specific reaffirmation of Ontario's support for equalization in the recent throne speech from Queen's Park. That is a welcome message for all Canadians.

Perhaps it is also time we delivered an explicit message ourselves. The message is that we agree: Ontario's situation is serious and must be addressed.

There is no doubt that the economic boom which Ontario experienced until recently was a mixed blessing for those of us elsewhere in Canada. We benefitted, of course, as the regions always do when Ontario is healthy. But we paid a price as well, through the high interest rates which the Bank of Canada established to deal with the inflationary pressures originating here.

That experience showed all of us, I think, that the old maxim: "What's good for Ontario is good for Canada," isn't always true.

But it also showed what we know to be true as well — that when Ontario catches a cold, we all sneeze. That is happening now and we recognize its significance to all of us. We believe Ontario's economic problems deserve a fair shake from the Federal Government, just as all provinces do when our economies are in trouble.

We have no problem with making that choice — to stand together with this province and with others. That's what this country is about.

Parochialism, protectionism, isolationism — those are understandable responses to economic adversity. We've seen them here, in the U.S., and elsewhere when times are hard. But surely the lessons of history are clear on this point. "Beggars your neighbour" policies may work in the short term, but they are ultimately self-defeating. Our interdependence makes it essential for us to work together.

That doesn't mean we shouldn't compete. We must compete, and hard, among ourselves and in the international markets. But we want and need healthy competition with healthy partners. That's the only way we'll all benefit.

We're not conceding permanent pre-eminence to Ontario or any other province in the Canadian economy. We're going to keep on trying to attract new investment to Manitoba, new investment by industries that enjoy a comparative advantage in our province because of our central location, our trained work force, our renewable hydro source, our transportation networks.

We're going to continue to say to business people here and elsewhere: If you're going to expand, look at what Manitoba has to offer. We think that's a key part of nation-building — strengthening all parts of the country — and moving to correct longstanding imbalances and disparities.

That brings me to the other set of major choices Canadians are facing today — the constitutional choices

which will shape our future, which will determine whether we can or can't go on working together — and which, hopefully, will give us the instruments for building a stronger and more united Canada.

Most of the choices are clear and reasonably well-understood.

In the past few weeks, some encouraging progress has been made by the ministers responsible for Constitutional Affairs. Now it is getting close to the time when First Ministers should be at the table — and I mean all First Ministers, including the Premier of Quebec.

Complex and difficult as the constitutional agenda still is, we have the chance to make some very key substantial gains for all parts of the country. We have already moved closer to affirmation of the inherent right of aboriginal peoples to self-government within the Canadian constitutional framework. As Premier Rae said last week, that was an historic step forward and others are possible.

Clearly we have a national consensus for fundamental reform of the Senate to give Western Canada and the Atlantic region a stronger voice in national policy-making.

It is no secret that my strong preference is the Triple E Model — Elected, Effective and Equal. Though we haven't said "Triple E or else," we have said real effectiveness and equality are extremely important priorities.

They are important in symbolic terms and they are important in practical terms. When we talk about effective we aren't talking about a Senate that can hamstring the House of Commons. Slow it down, yes. Make it explain and justify its decisions on economic grounds, yes. But not undercut its ultimate accountability. When that is better understood, the arguments for equal numbers of Senators should become less troubling to those who have questioned the principle of equality of the provinces.

It is hard to imagine that some people look on equality as a frightening concept. The American and Australian models are

far from perfect. But they do illustrate the fact that Senate equality is workable, practical and fair.

It is ironic that many who supported the Meech Lake Accord, which began with an explicit affirmation of the principle of equality of the provinces, should now be questioning the application of that principle in a reformed Senate.

I'm not asking everyone in this audience to buy the concept, just to keep an open mind. I believe that Ontario would be one of the prime beneficiaries of an equal Senate, if that Senate meant that clearly-defined economic principles replaced patronage as the basis for some of the major decisions which emanate from Ottawa.

Ontario wants to be treated fairly and should be. So do the other provinces and that is why the principle of equality is so important to us. One of the key purposes of the Canada Round is to find ways to ensure all provinces and regions feel that we are full partners in our national enterprise.

None of us expects, in the near future, to enjoy all the economic advantages of a province like Ontario. That isn't in the cards. But a renewed constitution can give us a stronger voice, and greater financial protection to ensure that the services we provide for our citizens are reasonably comparable with those available in provinces with larger economies.

Earlier I talked about the importance of equalization to the seven provinces whose taxing capacities are lower than the national average. I'm talking about the Atlantic provinces, Manitoba, Saskatchewan and Quebec.

Last year, the Ontario Government received about \$33 per person for every percentage point of personal income tax it collected. But the comparable figures for the rest of the provinces were quite different — in Manitoba, around \$20 per capita, less than two-thirds of Ontario's yield — and lower in the Atlantic provinces, going down to around \$15 in Newfoundland.

That's why provinces differ in their ability to provide services. And that's why the national equalization system is so important to the unity of our country. It doesn't wipe out the

differences between what provinces can afford to pay for, but it does narrow the gap.

As part of the Canada Round, the provinces which receive equalization are asking for greater constitutional protection for the equalization system and we are also urging some protection for federal support for Medicare, post-secondary education and other key federal-provincial transfer programs.

In this connection, we are working to ensure that the proposals for a social covenant, which would not be justiciable, would not, inadvertently, undermine the real long-term security we want for vital national programs.

Manitoba has had two major sets of public hearings on constitutional reform in the past few years. Both our task forces emphasized, right up front, that Manitobans believe a strong national government remains essential for balanced growth and unity.

That explains our stand on equalization, and it explains our stand on the division of powers. We are prepared to consider some devolution to improve services or to reduce duplication and overlap, but we are concerned that too large a transfer of powers could jeopardize services in the smaller provinces. If three or four of the largest provinces are delivering a particular service, the political will for the Federal Government to fill the gap in the smaller provinces could be minimal.

But we've asked others to keep an open mind on constitutional issues and we will do so on division of powers as well. This is not a time for ultimatums, and it is not a time for unilateral action.

We remain hopeful that the multilateral process now underway will help produce a consensus package — a package that will respond positively to the aspirations of Quebec and a package that will respond with equal generosity to the needs of the Western provinces, the Atlantic provinces, the Territories, the First Nations, and Ontario.

You know, a few years ago, *Maclean's* magazine commissioned one of its major polls on Canadian attitudes. One of the questions they asked in every province was: Do you consider yourself a Canadian first or a citizen of your own province first?

It will come as no surprise to this audience that, here in Ontario, some 89 per cent of Ontarians answered that they were Canadians first. It may surprise you, though, to learn that right behind Ontario — just a few points behind — came our province. By an overwhelming majority, Manitobans consider themselves Canadians first as well.

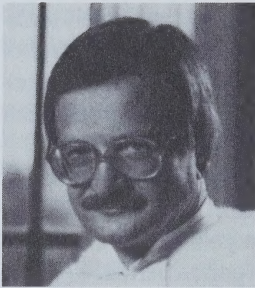
We may not always see things in the same way as Ontarians. Despite being in the Eastern Conference of the CFL, we're still Westerners at heart and we plan to stay that way. But we share the same basic values and goals for our country, and I believe for one another.

In the months ahead, the strength of our commitment will be tested. As I said, we will have some very difficult choices. But, if we make the right choices, I believe the country will be immeasurably stronger.

Renewed confidence, from a renewed union, could add so much to the momentum for recovery. It is a prospect I would very much like to see in our 125th year. Canadians deserve it and we owe it to ourselves and to our children to make certain it happens.

Thank you very much.

The appreciation of the meeting was expressed by Isabel Bassett, President-Elect of the Canadian Club of Toronto.



April 16, 1992

The Hon. Mr. Justice John Sopinka

Justice of The Supreme Court of Canada

FREEDOM OF SPEECH UNDER ATTACK

Introduction: John F. Bankes

President, The Empire Club of Canada

"I used to be a lawyer," Woodrow Wilson once said, "but now I am a reformed character."

I, too, used to be a lawyer. In preparing these introductory remarks for today's Empire Club speaker, Mr. Justice Sopinka, I had to dig into my memory bank for personal archival material from my previous incarnation as a lawyer. (In this regard, I found a speech by President Neil Rudenstine of Harvard delivered at the launch of a law school fundraising campaign to be particularly helpful.)

Law is rooted in the most fundamental of all human inclinations: the desire to discover and to bring reasonable and fair order into our lives and our behaviour.

Law also incorporates all those complicated impulses that make us want to judge and measure things accurately, while simultaneously wanting to make due allowance for extenuating circumstances, for honest doubt and for the simple desire to pardon and forgive as well as to fix blame or to seek retribution. In these and other ways, the law requires not only knowledge and the capacity to reason or argue rigorously; it demands those other

capacities not so easily categorized — insight, intuition, imagination, wisdom and courage.

In short, the law is intensely human, touching on everything that is essential to our lives.

While delving into my memory bank to prepare these brief remarks, I experienced some flashbacks to my own very first brushes with the law, almost 40 years ago — although, I would not at the time have used the term “law” to describe these experiences. They happened in the context of family life.

My parents were very successful amateur lawyers, judges and legislators. But they had, I fear, only the most unorthodox and woefully elementary appreciation of the concept of “due process” — particularly when faced with the infrequent examples of my misbehaving.

I’m also quite certain that they had not read Blackstone or Montesquieu, and surely not James Madison, because they paid absolutely no attention to the idea of the separation of powers! More than once, I was outraged to see that they had appropriated to themselves all executive power, all capacity to legislate instantaneously and they even vetoed their own laws, when it was convenient.

My parents would insist this legal system was for my own good. Invoking Otto von Bismarck’s maxim, they pointed out: “Laws are like sausages. It’s better not to see them being made!”

My parents had no interest — as far as I could see — in the notion of one person-one vote. And there was, as far as I could ever discover in the entire house, no written constitution. Not even a single scrap of paper with anything written on anywhere having to do with the law. In other words, my mother and father exercised the purest form of *in loco parentis*.

Yet, their system of justice had most of the properties of any good legal system: rules (more or less), a concept of promises and contractual arrangements and (on occasion) fair play. And lots of ingenious discovery procedures! Unquestioned authority. Judgments rendered. And even occasional punishments. And it operated mainly on the basis of intuition, accumulated worldly experience and human understanding — guided by the greatest possible concern for the welfare and fate of those unwitting creatures like myself who were somehow caught up in the whole system.

Today’s address by Mr. Justice Sopinka is on the subject of free speech — another of those basic legal precepts which was, from time-to-time suppressed by my parents.

Over the past few years, the world has witnessed several seachanges. Perhaps none is more dramatic than the sight of a Russian citizen, in the age of Glasnost, being interviewed on the streets of Moscow and criticizing his government.

The Iron Curtain has been replaced by an open picture window. But, the window is also a mirror that allows us to examine the state of freedom of speech in our own society.

Some difficult questions on this subject need answers. Beyond the superficial level, is freedom of speech in Canada flourishing or is it under a threatening cloud? What impact is "libel chill" and the test of "political correctness" having on the ability of concerned citizens to express themselves freely?

One of the strengths of democracy has always been the fact that ideas must stand the test of the marketplace. But, as Thomas Mann observed: "It is impossible for ideas to compete in the marketplace if no forum for their presentation is available."

Mr. Justice Sopinka has dealt with the issue of freedom of speech from both sides of the bench — as a practising lawyer for 28 years, lecturer at Osgoode Hall and University of Toronto Law Schools, author of several legal articles and texts, director of the Advocates' Society, and a former Bencher of The Law Society of Upper Canada.

Since being appointed to the Supreme Court of Canada in May of 1988, Mr. Justice Sopinka has had the opportunity to help blaze a trail in the new frontier of justice opened by the Charter of Rights and Freedoms in Canada. (As an aside, tomorrow represents the 10th anniversary of the Charter's enactment and the patriation of the Canadian Constitution.)

Members and guests of The Empire Club of Canada, please join me in welcoming Mr. Justice John Sopinka.

John Sopinka:

One of the most difficult areas of the law with which the Supreme Court has had to deal is free speech. While one of the most cherished of freedoms, yet it is and has been over the centuries constantly under attack. The reason for this contradiction is that freedom for one group often poses a threat to others.

As observed by Professor Isaiah Berlin: "In a lake stocked with minnows and minnow-eating pike, freedom for the pike means death to the minnow."

Freedom of speech is not absolute. In some circumstances the exercise of this freedom poses a threat to others that is so great that it must be curbed. To illustrate, let me cite the time-worn example of falsely crying "fire" in a crowded theatre. The freedom to do so must be curbed in order to protect the safety of others. In deciding what should be the limits on free speech, we must balance the values inherent in the freedom against the rights of others who may be affected by its exercise.

I propose to examine a number of situations in which freedom of speech is under attack in an attempt to explore the current status of the right and whether it is in any danger.

Prior to examining the attacks on free speech, it is helpful to discuss just what is free speech and what are the means available for its protection.

Before the *Canadian Charter of Rights and Freedoms* came into effect, free speech depended for its protection on the force of public opinion and the pressure that it exerted on the legislature and other public bodies. In the period preceding the *Bill of Rights*, the Court recognized the importance of the right by developing what some commentators have referred to as a kind of surreptitious *Bill of Rights* to protect free speech.

Some provincial legislation which the Court viewed as a serious infringement of free speech was struck down under the guise of the *ultra vires* doctrine. It was odd, then, that when the *Bill of Rights* in 1960 empowered the Court to legitimately recognize free speech, the Court did so little with it. *The Charter* entrenched the right to freedom of expression in s. 2(b) which provides:

2. Everyone has the following fundamental freedoms:

(b) freedom of thought, belief, opinion and expression, including freedom of the press and other media of communication;...

As with other rights, an infringement of this right could be justified under s. 1 if it were established by the party seeking to maintain the restriction that it was demonstrably justified

in a free and democratic society. This provided a specific procedure to enlist the aid of the courts when freedom of speech was under attack by any government action. This avenue of redress continues to be unavailable in the absence of government involvement and, with respect to attacks on freedom of speech that proceed from other sources, reliance must be placed on the force of public opinion.

Early in the life of the *Charter*, attempts were made to limit the ambit of s. 2(b) by arguing that certain types of expression were unworthy of protection. I made such an argument in *538745 Ontario Inc. v. Windsor (City)*. The City of Windsor passed a bylaw limiting the location of adult entertainment parlours. I submitted that the expression which was affected by the bylaw was obscene and therefore unworthy of protection. The bylaw was upheld.

The Supreme Court refused to give effect to this approach. It preferred to give s. 2(b) the widest scope, leaving it to s. 1 to justify restrictions on the grounds that the form of expression is unworthy of protection. Free speech was defined to include any activity that conveys or attempts to convey a meaning. Any expressive communication is covered, no matter how unpopular, distasteful or contrary to the mainstream. Only violent forms of expression are excluded. Even threats of violence which were said to be excluded in *Dolphin Delivery* were held to be included by the majority in *R. v. Keegstra*.

Although not excluded from s. 2(b), some forms of expression are less worthy of protection. The core values that the section seeks to protect are: (1) the search for truth; (2) participation in the political process, and (3) individual self-fulfilment. The closer to core values the more difficult it is to justify the invasion of communication. Political free speech lies at the very heart of the values protected by s. 2(b) because of its importance to our democratic form of government.

We see this principle at work in *Osborne v. Canada (Treasury Board)*, in which we struck down provisions in the

Public Service Employment Act because they prohibited all partisan-related political activity by all public servants.

On the other hand, in the recent case of *R. v. Butler*, we dealt with pornography. The operator of a hard-porn video boutique was charged under s. 163 of the *Criminal Code* with possessing and selling obscene material. The majority of the Court of Appeal took the view that the portrayal of explicit sex scenes by means of hard-porn videos was not expression at all and, if it was, it was not the kind of expression that the *Charter* was designed to protect.

We reversed the Court of Appeal and held that while this is a form of expression, it did not stand on an equal footing with other kinds of expression which directly promote the core values of freedom of expression.

What then are the attacks on free speech? An attack on free speech does not include disagreement, even violent disagreement, with what is expressed. An attack is any conduct by words or action which seeks to suppress expression or to punish a person for such expression. The attacks on free speech which I propose to discuss are as follows:

1. By penal sanctions
2. By civil sanctions
3. By demands for political correctness
4. By self imposed restraints

By Penal Sanctions

The source of this attack on free speech is from the state itself. While the more nefarious forms of speech regulation, such as silencing opponents of the government, are not prevalent today, the state still seeks to limit expression in some areas. Although free speech is a protected right, there are societal concerns that can in certain narrow and well-defined areas override this freedom.

In at least three major cases decided by the Supreme Court, free speech has had to yield to other compelling societal concerns. In the *Prostitution Reference Case*, the right to communicate for the purpose of prostitution was limited as a

result of the public nuisance and other societal harms caused by public solicitation of sexual services.

In the *Keegstra* case, involving the dissemination of various anti-semitic messages, the freedom to express thoughts not widely held by others was limited by a concern that certain forms of hate literature would cause harm in the community. The concern of the state to reduce the harm suffered by target groups and the reduction of racial, ethnic and religious tension, and perhaps violence, was found to be a reasonable limit on the right of Mr. Keegstra to express his view of the world.

Finally, in the recent pornography decision, the threat of harm to women and children occasioned by some forms of pornography was found to be sufficient to restrict freedom of expression in certain instances.

Unquestionably, the threat of criminal prosecution is an attack on freedom of speech. As a result of decisions like *Keegstra* in particular, members of society are restricted to some extent in what they can and cannot say. The Court has attempted, however, to draw exceptions to the exercise of this freedom narrowly and demands that any restriction impair the freedom as little as possible.

The United States has a similar requirement that the state show a "compelling state interest" in order to justify infringement on speech. The fact that in both the *Prostitution Reference Case* and *Keegstra* the judges divided on the question of justification underscores the importance of free speech and may indicate that the matters are not settled.

By Civil Sanctions

As well as criminal prosecution, there is also the threat of civil proceedings. The attack on freedom of speech in this area most commonly takes the form of an action for libel or slander. According to the popular press, the threat of libel actions has had a chilling effect in some areas of public interest. In the last few years there have been numerous reports

that publishers have refused to publish books and/or articles as a result of threats or libel proceedings.

This is particularly true if the potential plaintiff has deep pockets. While the defence of truth, privilege or fair comment is available in libel actions, many a publisher has discovered that such a defence can be costly.

Of course, the same concerns are present when an individual seeks redress from a well-funded media concern. While the United States' position is that libel laws, in general, are excluded from First Amendment protection, the U.S. has made it much easier for the media to defend against a libel action initiated by a public figure.

In *New York Times Co. v. Sullivan*, the United States Supreme Court held that where the speech is directed against a public official, it is protected by the First Amendment and may not be actionable under libel laws unless the speech was uttered with knowledge that it was false or with reckless disregard of whether it was true or false.

This amounts to a requirement that the public figure prove "actual malice." The plaintiff loses even if it is established that the defendant published a false story that injured the plaintiff's reputation. Thus a defence extending far beyond proof of truth is available in the U.S.. This position is not without its difficulties. In allowing the freedom to criticize without knowledge of the truth of the underlying facts, the courts discourage people from entering public life where criticism based on falsehoods is not actionable.

Moreover, the U.S. position removes the one vehicle which a defamed person has to vindicate his or her character. Contrary to popular belief, most defamation actions are brought not for money but to clear the name of the person defamed. In the U.S., plaintiffs frequently lose who have established the falsity of the allegation. This fact is lost on the public who view the result as vindication of the defendant.

The purpose of libel laws is to protect the reputations of individuals and other concerns from falsehoods and mali-

cious comment. Such laws must attempt to strike a balance between the protection of reputation and the protection of free speech.

It remains to be seen to what extent, if at all, the *Charter* will affect the law of libel. Libel laws are admittedly a restriction on free speech but it is a restriction with a history as long as the protection of free speech itself. The law simply extends a duty of care to those who choose to engage in expression which risks damage to the reputation of others.

The present law requires authors to ensure that the factual basis of their articles are true and that any comments they make fall within the ambit of "fair comment."

The defence of fair comment is a mechanism by which freedom of speech is protected and has been zealously guarded by the courts. As long as the facts are accurately stated, the scope of comment is very wide. As has been recognized in the protection of all rights, the use of a right or freedom by one person must yield if that use causes injury to another.

Those who complain of "libel chill" have argued that Canada's libel laws do more than just protect reputation but also inhibit debate on important issues. While it is true that debate on public issues should be robust, it must also be inhibited if the foundation of the debate is falsehoods or malicious comment which cause harm to members of society.

In the absence of this restraint, the media would simply be allowed to publish as they please. To the extent that the threat of libel has an undue chilling effect on free speech, it is due to the costs of an action and the size of the awards. Consideration should, perhaps, be given to these aspects of the libel laws before addressing the more difficult and serious question of increasing the burden of the plaintiff.

By Demands for Political Correctness

Threats to free speech are not confined to the legal system. In the last decade there has developed a phenomenon known as the demand for political correctness. Certain seg-

ments of society who are justifiably seeking equality for their particular interests have extended their demands so far that they threaten the freedom of others.

They not only criticize the expression of views that do not accord with their own but demand that contrary views be suppressed. Professor Alan M. Dershowitz, a Harvard law professor and civil rights activist writing in the *Harvard Record*, describes the effect which this movement has had on university life.

He refers to the demand for speech codes which would be enforced against politically incorrect ideas including criticism of affirmative action programs, opposition to rape-shield laws, advocacy of the criminalization of homosexuality and defence of pornography. And what is the effect of all this? He states:

As a teacher, I can feel a palpable reluctance on the part of many students — particularly those with views in neither extreme and those who are anxious for peer acceptance — to experiment with unorthodox ideas, to make playful comments on serious subjects, to challenge politically correct views and to disagree with minority, feminist or gay perspectives.

Professor Michael Bliss of the University of Toronto has had a similar reaction to this trend of self-censorship on the part of students:

You see, especially in undergraduate papers, the new idea that nothing offensive should be said or done. But universities are places where people will be offended and should be offended. It's very, very wrong when we won't publish anything that may be construed as offensive. Free speech is offensive.

Many of us who may support, in general, the objectives of the groups that comprise this movement cannot but be concerned about the intolerance for free speech which some of its members advocate.

Recently an article appeared in the University of Toronto newspaper, *The Varsity*, which was written by Glenn Sumi,

himself a member of a visible minority. He decried the ban of a painting showing a black woman with a basket of bananas on her head by an art exhibitor. He concluded as follows:

Whether Robichaud's painting is racist or sexist is immaterial. What is important is that, under the stiff banner of political correctness and responsibility, the Women's Centre of Concordia has hidden from public view something with which they disagree. The issue is not art, good or bad, pleasant or offensive; the issue is censorship.

A further example arose out of the recent experience of an Alberta chemistry professor who wrote an article which appeared in the *Canadian Journal of Physics*. It suggested that working women were responsible for many family and social problems. This brought forth a campaign to enlist the aid of the National Research Council to recall the issue and reprint it without the offending article. This reminds one of attempts of the past to rewrite history to accord with the thinking of the day.

This movement has had its effect on the judiciary. It has not been all negative. Judges in the past have, on occasion, been insensitive to the legitimate concerns of minority or disadvantaged groups.

However, there is a cause for legitimate concern that overzealous dissection of every word that drops from the bench, with a view to finding some indicia of political incorrectness which may be the basis for a complaint to the Judicial Council, may result in decisions that are politically correct but not legally and factually correct.

A judge who is looking over his or her shoulder may decide a case in a way that will avoid the Judicial Council rather than accord with the material presented.

What may be thought to be correct today may very well be held to be incorrect tomorrow. John Stuart Mill said it this way back in 1859:

Ages are no more infallible than individuals; every age having held many opinions which subsequent ages have deemed not only false but absurd; and it is certain that many opin-

ions, now general, will be rejected by future ages, as it is that many, once general, are rejected by the present.

Society should not seek to censor the speech of someone because it happens to be wrong or absurd in light of the conventional wisdom of today. It may become the conventional wisdom of tomorrow.

By Self-Imposed Restraints

The final attack on free speech comes not from the state nor from special interest groups but from self-imposed restraint by the judiciary. I refer to the restrictions which judges have imposed on themselves with respect to their public utterances.

Although there is no formal requirement that judges refrain from speaking in public, many judges feel severely constrained from doing so. Clearly there have been judges in the past who have felt that total abstention from speaking out is required. In a September, 1982, address to the CBA Annual Meeting in Toronto, Chief Justice Laskin said in part:

Surely there must be one stance, and that is absolute abstention, except possibly where the role of a court is itself brought into question. Otherwise, a judge who feels so strongly on political issues that he must speak out is best advised to resign from the bench. He cannot be allowed to speak from the shelter of a "judgeship."

Justice McIntyre similarly stated on the occasion of his retirement that: "...judges should speak on a subject but once, and then only in his [or her] reasons for judgment."

In a debate on this subject at the Cambridge Conference, Lord Ackner of the House of Lords defended what were known as the Kilmuir Rules. These rules forbade a judge to be interviewed by the media without the permission of the Lord Chancellor. The present Lord Chancellor revoked them. Recently, in Toronto, he stated: "Why should I make these decisions for them?"

In defending the rules, Lord Ackner said that the rationale for them was to prevent judges from making fools of them-

selves. My answer to that is this: If they can't speak in public without making fools of themselves, then why allow them to do it in their reasons for judgment.

My views on this topic are well known and are contained in a paper entitled *Must a Judge be a Monk*. After examining the formal restraints, I concluded that a judge should refrain from commenting on: (1) cases that are likely to come before the court and (2) issues of current political debate.

This leaves a wide range of issues upon which a judge can comment. In my view, there are even areas where a judge should comment, notably demystifying the workings of the judicial system for the benefit of the public. Topics that fall into the latter category include how a judge does his or her job, how the court functions, the work load, etc.

I also draw a distinction between cases pending before the court and those that have already been decided. In regard to cases already decided, I see no reason why a judge should not be able to discuss the current state of the law and how the law can be improved. The extent to which a judge can comment is subject to avoiding prejudgment of an issue that may come before the court.

In the area of "political debate," I am also unconvinced that all political topics are taboo. Surely a judge should be able to comment on matters relating to the administration of justice and any reforms to that system. As key players in the justice system their views should not be absent in fear of somehow entering the political fray on issues such as court reform.

I am the first to admit that many of the reasons for the restrictions on the freedom of judges to speak out are based on solid ground. My concern is that protection of the purposes of judicial silence does not support complete silence. The common law has long recognized the appearance of bias as a reason to remove a judge from a particular case.

Thus, if a judge insists on speaking out on cases likely to come before the court, that judge must be removed from these cases if they come before him or her in order to pre-

serve the appearance of justice. As well, it is important that it not appear to the public that a judge, or the judiciary in general, has decided an issue before it is argued.

While I support this rationale for some restrictions on speech, the public must also realize that judges do have views on issues and must have the confidence that the judiciary is capable of setting aside personal political views when such views threaten to interfere with their impartiality in deciding particular cases.

Certainly upon resignation or retirement, judges should have the freedom to speak on any issue within the ambit of protected expression. It is difficult enough to give up temporarily, freedoms held by society at large, and it would be very difficult to recruit quality people for the judiciary if a judge permanently lost his or her right to freedom of speech upon appointment. Sometimes I wonder whether such strictures are more an excuse to protect the tranquillity of judges than because of some lofty goal of cerebral impartiality.

In these times, judges make decisions that affect the daily lives of thousands of citizens. They strike down laws passed by elected representatives. They can make decisions that have the power of life or death. There is a demand that the public know more about the people who have this power.

This demand is most often expressed in connection with the process for the appointment of judges. With the example of the confirmation hearings in the U.S. ever present, this procedure is invoked by some as the panacea for demystification of the judiciary.

Recent events have dampened the enthusiasm even of its U.S. supporters. The pros and cons of confirmation hearings are fit for discussion on another occasion. Nevertheless, the demands for more public knowledge about judges and their work is legitimate. Judges should be encouraged to respond to this demand. The extent to which a judge does so must be left to the individual judgment of the judge. Surely a judge entrusted with the extraordinary powers which I have men-

tioned should be permitted to decide what the limits are of his or her public participation.

Conclusion

The *Charter* has provided us with the means to ward off unwarranted attacks on free speech by the state. It may also fine-tune the libel laws if it appears that they are too restrictive. With respect to demands for political correctness, we must still rely on the common sense of public opinion to stand up for the rights to say things no matter how unpalatable they may seem.

It is, therefore, important for all of us to defend this right, no matter that we sympathize with the ultimate goals and objectives sought to be attained by those who advocate the contrary. Because we cannot turn to the courts for redress in this regard, the greatest threat to free speech does not come from actions of the state but from ourselves.

The appreciation of the meeting was expressed by John Campion, Partner, Fasken, Campbell, Godfrey, and a Director of The Empire Club of Canada.



April 23, 1992

Lorraine B. McCaughey

President and CEO, Burston-Marsteller Canada

COMMUNICATING IN THE NEW NORTH AMERICAN MARKET

Introduction: John F. Bankes

President, The Empire Club of Canada

A number of recent speakers at this Empire Club lectern have spoken of the difficulty in finding a solution to Canada's constitutional crisis. Politically, it has been a long winter!

On five separate occasions in the dread of winter, significant clumps of Canadians have huddled together in hotel ballrooms and other confined spaces across the country to talk about the Constitution. As the participants in the constitutional conferences would undoubtedly concur, these meetings are not the kind of event they make beer commercials about.

The giant constitutional shadow is still cast across the land. From time to time, the Mulroney cabinet peeps out at itself from the (temporary) security of the Peace Tower. And the rest of us are assured of at least six more weeks of constitutional winter.

However, the crocuses are now blooming at the feet of Sir John A. Macdonald on Parliament Hill. The constitutional situation remains uncertain. The recession is still deep. Unemployment figures are dreadful. Nevertheless, it is spring! And Canadians are starting to look expectantly for the first indications of a spring thaw in Canadian politics.

Politicians will undoubtedly view the report last week by the United Nations Development Program as an attractive bouquet of spring flowers. In the report, Canada topped every other nation in the world on what the agency calls the Human Development Index — an index that measures national progress in terms of education, life expectancy and income, a combination designed to capture elements of achievement (public health, safety, learning, opportunity and social justice) that are usually neglected. It is a compliment that may well turn stale as it is trumpeted endlessly across the country by politicians.

Another crocus, if you will, is yesterday's announcement by the International Monetary Fund. The IMF expects Canadian economic growth of five per cent to lead the industrialized world in 1993. Its message in effect, "Wait 'til next year," is one to which recession-weary Canadians, like Toronto Maple Leafs' fans, have grown accustomed.

These positive signals represent the first sign of spring in the Canadian economic and political scene. Like the crocuses, these are all small indications of positive change.

Against this somewhat upbeat backdrop, I would like to introduce our guest speaker, Lorraine McCaughey. Her speech is entitled *Communicating in the New North American Market*.

Her remarks relate to a profound change impacting our nation. Globalization — the combined processes of increasing international trade, investment and direct foreign investment — in a real sense is "opening" Canada to the world.

On a political map, the boundaries between countries are clear. But on a competitive map, a map showing the real flows of financial and industrial activity, those boundaries have largely disappeared.

Today's global corporations, according to international management consultant Kenichi Ohmae, are nationalityless. Consumers have become less nationalistic. You don't worry about where the product was made. What you care about is the product's quality, price, design, value and appeal to you as a consumer.

Nowhere is the trend to globalization more evident than in the field of communications. The recent news coverage surrounding Olympia & York, the Reichmann brothers' embattled property company, illustrates an important ongoing development in the field of corporate communications. With the increased sophistication, geographical scope and frequency of financial news coverage, both in the electronic and print media, it takes no time for events in the nation's boardrooms to become news in the nation's living rooms!

Corporate news items — whether involving debt rescheduling programs at O&Y, executive wrist-slapping at General Motors,

stratospheric compensation packages at Coca-Cola, events that were once known to only a small fraction of the public — now compete with events involving media superstars such as Madonna and Wayne Gretsky.

Media sophistication is contagious; it is quickly spreading beyond the boundaries of the industrialized world. In his recent text *Give War A Chance*, satirical journalist P. J. O'Rourke claims that street urchins in Belfast routinely ask reporters: "Will you be needing a sound bite?" And, they second-guess photographers choices of shutter speeds!

Not only does news travel fast, it travels far. When a major business story, for example, unfolds in Canada, investors in New York, London and Tokyo hear about it as soon as investors in Toronto. It was a Canadian who said the world was becoming a global village. If McLuhan was right, then the media have become the global town criers.

We live in an information age where business is significantly influenced by the two F words: Fax and Federal Express. In this electronically-charged environment, where information is transmitted with a crackling urgency, how should corporate Canada respond to the pressures of globalization? What steps should companies take to behave like model global citizens? How can corporations overcome a headquarters mentality, myopically focused on the markets closest to them? Can Canadian companies position themselves to play a leadership role in the interlinked economy of the future?

To enlighten us on these issues and others, I am pleased to invite Lorraine McCaughey to the lectern.

It has been said that people are divided into three groups: those who make things happen, those who watch things happen, and those who wonder what happens. Lorraine makes things happen.

Lorraine is the President and CEO of Burston-Marsteller Canada Limited, the Canadian subsidiary of one of the world's largest public relations firms. With Burston, and prior to that as a Senior Vice President of a communications consultancy in New York, Lorraine has worked with many senior corporate executives, both in handling crisis communications and in developing long-term messages.

She began her communications career as a journalist with Fairchild Publications and subsequently with *Advertising Age*. As well as heading up Burston-Marsteller in Canada, Lorraine is a director of the worldwide operation. She also serves on the boards of several non-profit organizations, including The Conference Board of Canada and The Board of Trade of Metropolitan Toronto.

Ladies and gentlemen, please welcome Lorraine McCaughey.

Lorraine McCaughey:

Thank you John for that kind introduction. Mr. President, head table guests, members of The Empire Club of Canada, ladies and gentlemen.

I am delighted to be here today to speak about the new North American market. Before I begin, I should say that I am not here to explain the North American Free Trade Agreement (NAFTA), nor am I here to tell you why we do or do not need it.

Today, we already have a North American market. So, the issue is how to best deal with some of the challenges that are emerging as Canada, the U.S. and Mexico move to liberate their trading relationships with each other.

In particular, I want to talk to you about the important role that communications can play in identifying the obstacles and seizing the opportunities that are sure to arise as the formal barriers to trade fall.

I am going to take the opportunity to refer freely to the thinking of my colleagues in the Burston-Marstellar organization, including our Canadian Chairman, former Ambassador Allan Gotlieb, and B-M Director, former U.S. Senator William Brock. Both of these men have had more than a passing interest in the original Free Trade Agreement and their views appear in the recently published Burston-Marstellar document *The North American Free Trade Agreement — A Communications Update*.

As you will know from my introduction, I stand before you, not as an expert in trade negotiations, but as a representative of a firm that is experienced in helping organizations use the tools of communications to manage change.

Let me begin by putting our current preoccupation with trade in perspective. It strikes me that in the commentary about the pros and cons of free trade, there has been a tendency to ignore history.

Some would have you believe it is only now, that we are in a position to "go global." We seem to forget that when the North American continent was discovered 500 years ago, Columbus wasn't looking for the New World. He was on a mission to find an easier way to get to the Orient.

He was trying to overcome what, at the time, were regarded as some pretty formidable non-tariff trade barriers — oceans, mountains and deserts.

Clearly the notion of trade liberalization has been around for a while. What has changed over time is the nature of the barriers that need to be overcome.

Were Columbus here today, I think he would find it ironic that while technology has enabled mankind to overcome most of the natural barriers to trade, after 500 years the most resilient obstacles to trade liberalization are the ones that are man-made.

The negotiations leading to a North American Free Trade Agreement are an important step forward in scaling down the man-made barriers that we have erected among our three countries.

But NAFTA is only one step. It is an attempt by governments to manage a process of change that is inevitable and already well advanced. The smart players in the new North American market aren't waiting for governments to decide on a free trade arrangement with Mexico. They're at it now. Some of them like the Ford Motor Company, AT&T, Northern Telecom and Bombardier have been at it for years.

When these companies look at Mexico, they see opportunities in the renewal of infrastructure, telecommunications, transportation, the manufacturing sector and an expanding market for services. In the process they are actively positioning themselves to capitalize on the new opportunities that will flow from NAFTA.

I'm sure most of you are familiar with the successes that many of these high-profile companies have achieved in Mexico. If you think that these opportunities are only open to

the largest companies with the deepest pockets — think again.

There are at least as many examples of smaller size companies that have also met with success south of both borders. All of these successes demonstrate that a benefit for one country is not necessarily a loss for those on the other side of the border.

Since I assume that most of us in this room live and work in Canada, and that many of us have already done business in the United States, I would like to spend more time talking about the Mexican marketplace, which is newer, more foreign if you will, to most of us.

What does Mexico bring to the table in our quest for improved competitiveness? If you ask the Mexicans, they'll tell you the Mexican people are the country's greatest asset. They are young. They are energetic. They are well-educated. And they are eager to seize opportunity.

There is a wide-spread agreement among economists that as prosperity and employment (and the resulting payrolls) increase in Mexico, so will Mexican purchases of products produced in the U.S. and Canada. New markets for a great variety of consumer goods will be created as more Mexican families are able to afford them.

When Ford set up its \$500-million state-of-the-art manufacturing plant in Hermosillo, Mexico, in the late 1980s, they found a young, well-educated work force in the local community, willing to adapt to new production techniques. The result has been impressive. Within two years, the Hermosillo facility was winning accolades for the quality of its products.

Demographics also help to tell the story. While marketers in Canada and the United States are facing an aging population, over 60 per cent of Mexicans are under 25 years of age. It is also remarkable and worth mentioning that Mexico has a 90-per-cent plus literacy rate as a result of an ambitious literacy campaign started in the late 1970s.

Mexico has other attributes that make it a valuable partner in North America's quest for competitiveness. Mexico's

economy has experienced unprecedented growth in the last several years.

The Salinas administration has implemented a number of dramatic domestic reforms aimed at rationalizing the role of government and increasing reliance on the private sector to stimulate growth. These reforms have given the Mexican people their first taste of real prosperity in more than a decade.

Unlike the struggle for economic renewal that has been unfolding in Eastern Europe and Russia, the people of Mexico are familiar with the operation of a market economy. They understand the principles of business and the motivating power of profit.

In less than five years, Mexico has gone from an underdeveloped country with few expectations to a bold negotiating partner in what could soon be the largest trading zone in the world.

For Canadians, the NAFTA marks a significant departure from past attitudes of relative indifference towards Latin American trade. It marks a new outwardness on the part of the Canadian business community and a new awareness about a major potential market, especially concerning energy, technology, transportation, urban development and engineering services.

Canada-U.S. two-way trade totals about \$200 billion annually, while Canada-Mexico trade is only about \$2 billion. So there is high potential upside for Canadians, especially in view of Mexico's new market-oriented policies.

There is potential but there is also challenge in the broad tripartite market. There will also be a bewildering pattern of laws and regulations touching on labour, health, the environment, taxation, safety and social values occurring at the national, state-provincial and local levels. These differences are very likely to grow in complexity and they will often conflict.

Many new barriers yet to be erected will be less visible than the tariff barriers and quotas of the past but they will take on enhanced importance in the new environment. They

will often be more difficult to overcome than the traditional ones.

Let's consider some of the sobering realities of communicating in a North American market that is destined to become increasingly complex.

Then I'll leave you with a few key principles that we have found effective in helping some of our clients cross the Rio Grande. In the new North American environment, several factors will stand out:

A more complex marketplace will put a premium on obtaining intelligence about problems and issues that exist within these new jurisdictions. There will be specific implications for industries in such sectors as energy, banking, insurance, rail and air transportation, trucking, electronics and manufacturing in general.

Marketing on a continental scale will require understanding, not only of the wider North American space, but of local markets, as in the European Community today. Local and regional preferences will still abound.

The increased penetration of television and advertising, new trends and cultural styles, environmental expectations and the like will move through markets faster, creating new social demands, new consumer expectations, new fads, new environmental fears and prejudices.

Consequently, the effects of negative information may be steeper and more dangerous than ever. There will be a greater need to deal with the widening of crises in this monolithic communications environment.

For these reasons, it is clear that Canadian business will need the best possible advice to survive and prosper in the new North American marketplace. The emphasis will be on understanding the much larger and more complex marketing context.

New strategies for reaching the broadest possible North American space, new approaches for overcoming less visible, but still formidable barriers, new ways of understanding local

and regional preferences, will all be required for the successful North American businesses of the future.

You know, not long ago, news circulated to and from Mexico, the United States and Canada only after being filtered through a handful of reporters based in the respective capitals of these countries.

The people who wrote the news were generalists and from their Mexican base dealt, as best they could, with the rest of Latin America. What you ended up with was news that was pretty two dimensional and relatively uninformative.

Today, more and more specialists from the business, political and lifestyle sections are pursuing stories in their own areas of interest. They have become issues-oriented reporters with an in-depth knowledge of events, trends and personalities.

Their activities, their attitudes, and their comments are having a direct impact on economic segments that cut across political boundaries. The demand for timely, high-grade information is driving this globalization of the news media. In the process, the barriers to communication are evaporating.

News in the new North American market is travelling at the speed of light from the Yukon to the Yucatan, from Spanish to French to English and back again. It is being transmitted via satellite, microwaves and fibre optics and served up for your consumption 100 different ways every hour of every day.

When we combine Canada, the United States and Mexico, we are talking of 2,700 daily newspapers, more than 10,000 magazines and radio stations and over 1,500 television stations.

Companies doing business in all three markets who need to reach the media will have to do so with the same speed as the various media communicate with each other.

A new trilingual capability will be required with an understanding of nuances and local cultural jargon. In this environment, having a good story to tell and a strong set of lungs won't get you past the obituaries.

If you're interested in using communications — public relations — to make some noise about something you're doing in this bazaar of a media market, you're going to have to approach the task with a high degree of precision, thorough research, an articulate message and a reliable source of intelligence based in the markets that you're trying to reach.

Let me come back to the language issue for a moment because it has such a profound impact on the way we communicate. Of the total population of the new North American market, 30 per cent, or approximately 110 million people, are Hispanic.

Now given Canada's experience in managing two official languages, I think we are perhaps better equipped than our American cousins at understanding the importance of respecting cultural and linguistic diversity.

This is an attribute that will serve us well as we make ourselves known to those in the new North American market whose first language is neither English nor French. When doing business in Quebec City it is usually imperative that mid- and field-level operatives for companies speak French.

When doing business in Mexico, it is also imperative that mid- and field-level operatives for companies speak fluent Spanish.

It is, therefore, all the more important for the North American community to understand that English may very well be the easiest common language of business, but not necessarily the language that would be applicable in all cases, and certainly not to close all deals.

Of course the Americans are not without their own capabilities in this area. Hispanic outlets are among the fastest growing segments of the U.S. media. And it's easy to understand why. There are more people in the United States whose mother tongue is Spanish than there are in Canada whose first language is English.

Regardless of who may have the edge, practising communications in a tricultural environment will be challenging.

Companies will be compelled to create brand names and packaging that are decipherable in all three languages.

Product presentations and marketing communications will have to identify product positioning, nomenclature and commercial messages that transcend the nuance of national origin while appealing in a common vernacular to a common cultural base.

The challenge really goes beyond language. Companies will also have to provide measurement information in both the metric and U.S. systems. They will have to address mandatory warnings and content disclosure statements that meet the laws of three distinct nations.

And they will have to deal with the unique technical standards and regulatory regimes of all three countries. Unlike the newly formed European Economic Community, the North American market will not have a central governing body to guide overall north American policy.

And that in itself will be a major communications challenge. There are differences in culture that must be factored into the equation. Many of these are obvious, but some of the more important ones are subtle and imperceptible to outsiders. These are the ones that will produce unpleasant surprises that can scuttle a deal. The cultural side of business negotiations is different in all three countries.

Closing a deal in Canada often is a product of searching for compromise. In the U.S., there is an addiction to 100-page legal documents. Whereas in Mexico, a verbal commitment between two parties is usually sufficient to close a deal.

It is, therefore, obvious that the geographical, political and cultural diversity of the huge North American market will generate challenges for business seeking to expand their continental market. So what are some of the prescriptions for succeeding in the face of these challenges?

First, don't assume that you can export any or all marketing and communications assumptions. You will be marketing to the huge demographic segments that speak three primary

languages while subject to the legal, regulatory and communications environments of all three nations.

While trade negotiations currently taking place will work to simplify marketing tasks, the complexity of the challenge is evident.

So is the reward, because a pot of gold awaits the marketers who successfully transcend these regulatory, linguistic and cultural differences to cost effectively reach the broader pan-regional consumer markets. The solution to some of these problems may be the careful selection of a strategic partner in the target country. Ingenuity is the key.

Second, know the infrastructure. Mexico has a population more than three times that of Canada. It offers marketers a tremendous opportunity for growth in the form of consumers with a propensity to acquire almost anything Canada or the U.S. has to offer.

But there are inadequacies in the Mexican commercial infrastructure that are sometimes impediments to trade with that country. For some, these impediments will become opportunities.

For example, most Mexicans do not have phones and those that do often curse the phone systems. This may make telemarketing difficult for some marketers, but it certainly offers phone companies a chance to break new ground.

Because of weakness in the Mexican distribution system — highways, transportation etc. — people tend to rely on regional products. Without a strong nationwide distribution system, the kind of dominance some brands have in America or Canada wasn't previously possible in Mexico. This will change with \$5.9 billion being invested in highways and the privatization of telecommunications.

Third, know the issues. Mexicans are putting their political leaders under increased pressure to provide clean air, clean water and protection from industrial wastes. The crisis over Mexico City's air quality has sparked a rapidly growing, increasingly middle class, environmental movement that now

monitors government and corporate activity. As well, the free trade talks themselves have increased international scrutiny.

Since President Salinas took office, the environmental budget, while still small by international standards, has grown by 600 per cent. The bottom line is that corporations face greater public scrutiny than ever before.

Fourth, understand how the government works, and who can influence it. Companies need to monitor and affect the process to protect or further their own interests. Sound analysis and experienced counsel will be necessary for companies wishing to take advantage of the unfolding opportunities.

Consider the complicated political scenario that NAFTA poses. Three sovereign national governments with 91 states or provinces, thousands of local governments, tens of thousands of laws, and three languages are enough to keep even the best political analyst working overtime.

And, as I've already mentioned, all of this has to sort itself out without a central governing body to guide overall policy. With this as a starting point, it is hard to imagine a more challenging public affairs environment.

Fifth, don't forget about your constituencies back home — your shareholders, employees, local communities and governments, to name a few. While their interests rest with the global activities of a company, their concerns usually lie closer to home.

While you are touting the benefits of that new manufacturing facility south of the borders, they will be wondering what may happen to their own jobs. Explain, listen, and keep them informed.

Even if you are planning to move your whole operation to the U.S. or Mexico, remember that you're still going to want to sell back into your home market. Your factory may be gone but your corporate reputation can linger on for years. You control whether that reputation is good or bad.

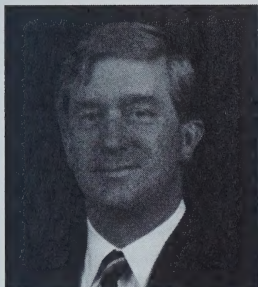
It is clear that the enterprises that succeed in the newly unified North American market will be those that gain the ear-

liest and best insight into the diversity of the people, politics and culture of its component parts.

With hard work, quality products, insightful advice and a determination to succeed, I'm certain that there will be many Canadian players on the new North American stage.

Thank you.

The appreciation of the meeting was expressed by Nona Macdonald, a Past President of The Empire Club of Canada.



April 30, 1992

The Hon. William F. Weld

Governor of Massachusetts

FREE TRADE: AN OPPORTUNITY

Introduction: John F. Bankes

President, The Empire Club of Canada

I want to be remembered as somebody of whom it can be said: He seen his duty and he done it. But also of whom it can be said: He seen his opportunities and he took 'em.

Governor William F. Weld

Let us dispense for the moment with the well-worn phrases about the 6,000 kilometre undefended border between Canada and the United States and the harmonious relations between our two countries.

Apparently, a little over 50 years ago Canada had, as part of its defence strategy, a plan to launch a pre-emptive strike into the United States. This strategy suggests that Americans had better not take their relationship with Canada for granted!

This fact was not lost on comedian Jay Leno. In the midst of the Project Desert Storm campaign in the Persian Gulf, Leno asked his *Tonight Show* audience: "With all our troops in the Middle East, am I the only one worrying about a sneak attack from Canada?"

It cuts both ways. Presidential aspirant Pat Buchanan, convinced that the U.S. is floating serenely in a historic Sea of Tranquility, thinks the next step is the annexation of several Canadian provinces

after which the U.S. would be absolutely invincible. Where does this guy live? Twin Peaks?

The problem is that many Canadians and Americans do take for granted the relationship between the two countries. We think we know each other. But this may be an incorrect assumption.

As the gangster Al Capone once exclaimed: "I don't even know what street Canada is on!" This benign neglect by Americans does not sit well with some Canadians. As Prime Minister Lester B. Pearson once complained: "We worry when you look hard at us. But we are touchy about being overlooked!"

Trade is undoubtedly one of the strongest links between the two countries. In an oft-quoted passage, John F. Kennedy characterized relations between Canada and the U.S. as follows: "Geography made us neighbours. History made us friends. And economics has made us partners."

The economic partnership, however, is not completely harmonious — even at this politically sensitive time, when both countries are trying to consolidate the gains of the bilateral free trade pact. Inevitably, in a bilateral relationship that approaches \$200 billion a year, there will be irritants arising from time-to-time.

"Presidential electioneering" is neither an adequate nor appropriate explanation for these occasional bilateral trade skirmishes. Although, many Canadians continue to maintain that, in the United States, odd things happen in even years! Especially, every four years!

The Commonwealth of Massachusetts is an important subset of our great neighbour to the south. Governor, the association between Canada and your state has been long and cordial. Whenever Massachusetts has needed something, Canada has been there. When the Bruins needed someone to play defence, we sent you Bobby Orr. When the Celtics needed someone to play guard, we sent you Danny Ainge. And when Harvard needed someone to play God, we sent you John Kenneth Galbraith. And they all played their positions like All-Stars!

The Commonwealth of Massachusetts — with over 120 places of higher learning and an impressive record of intellectual achievement — is a state that thrives on smarts! The Commonwealth also thrives on natural beauty and historical heritage.

To discuss the Commonwealth's leading attractions and the state's relations with Canada, The Empire Club is honoured to invite Governor Weld to the lectern to address our members and guests.

Governor Weld completed post-secondary studies at both Harvard and Oxford Universities. He has read widely in five

languages — Latin, Greek, French and Spanish, as well as English. He practised law in Boston for 10 years including a stint as Associate Minority Counsel to the U.S. House Judiciary Committee during its Watergate impeachment inquiry.

In 1981, he was named U.S. Attorney for Massachusetts by President Ronald Reagan and, in 1986, was brought to Washington as Assistant Attorney General in charge of the Criminal Division.

William Weld was inaugurated as Governor of Massachusetts on January 3, 1991. Now 47, he has, in the words of *The New York Times*, successfully sprung a “hostile takeover” on the Kennedy, Dukakis and Tsongas base in Democratic Massachusetts.

According to political commentators, fiscal conservatism and social liberalism seem naturally married in Governor Weld's mind. In typically blunt Weld-speak, he frequently drops yachting jargon into the class warfare of state politics. For example: “You need somebody who has deep keel.” Or: “You need somebody who can steer by his wake.”

Governor, Canadians welcome this opportunity to hear your views. These days U.S. politicians are facing a blizzard of single-issue confrontation including a steady diet of such gripping questions as: Which Elvis should be on the Elvis Presley commemorative stamp? And, did you really never inhale? We hope that this visit to Canada is a welcome respite from such in-your-face confrontations.

Governor, in concluding, let me say that, good Canadian that I am, I try to avoid unpleasantness. Nevertheless, mere niceness does not strike me as an ideal goal in life. Therefore, let me level with you. There is a theory, accepted by many in your state, that says the Red Sox are finally due to win the World Series this year. As their last Series-winning season, in 1918, attests, the Red Sox always win after Russian revolutions. Governor, there are a lot of Blue Jay fans in this part of the country who are determined to prove that theory false!

Governor, whether you agree with me on this point or not, please accept my warm welcome to this Empire Club meeting. Ladies and gentlemen, please welcome Governor William Weld.

William Weld:

Thank you. This luncheon caps off what has been a delightful visit for me here in Ontario. Yesterday I had the honour of lunching with Prime Minister Mulroney at 24 Sussex Drive, and then enjoyed a visit to Parliament Hill, where I was thrilled to be introduced officially to the House of Commons.

(I was also very thankful that Question Period has not taken hold in my state legislature.)

My only regret on this visit is that I have not had a chance to explore any of the glorious wilderness your country is so fortunate to possess. When I was a boy, Gov.-Gen. John Buchan's books were scattered around our house, and I particularly remember *Mountain Meadow*, his novel set in Canada.

I've always preferred mountains, lakes and rivers to beaches, and I remember fondly spending five or six summers during my youth fishing in the Salmon River on Anticosti Island, along the Gaspé Peninsula, and on the Mingan, up toward Hudson Bay.

I also feel very fortunate that my relationship with Canada and her people continues in my present duties as Governor of Massachusetts. We are blessed in Boston by the presence of Consul General Tom McMillan, whom I see on a regular basis and value greatly for his expertise — not just on trade, but also on mutual environmental concerns we share.

Last year I also had the honour of meeting and introducing your Minister for International Trade, Michael Wilson, at a National Governors' Association meeting in Seattle, where we were able to discuss trade issues and our various perspectives on the Free Trade Agreement.

Canada is vitally important to the people of Massachusetts, not just as a friendly neighbour but also as our largest trading partner. Last year Massachusetts firms had about \$2.8 billion (Canadian) worth of exports to Canada, principally computer equipment, electronic tubes and semiconductors and aircraft parts. And we relied even more on Canadian products, importing about \$3 billion (Canadian) of goods from your country, including fish, petroleum and coal, and other goods.

The system seems to work, and it seems to work to mutual benefit. Two-and-a-half million jobs in Canada depend on open access to American markets; in Massachusetts, more than 60,000 jobs depend on exports to Canada.

Given the importance of our two-way trade, I don't think I'll surprise any of you when I say I think the North American Free Trade Agreement is tremendously important for both our countries, and I support Prime Minister Mulroney and President Bush for their courageous work in pressing ahead for its implementation.

I know that position is not, to say the least, universally popular here in Canada, but I truly do believe both our countries are going to be far better off under the pact.

The fear of the unknown may make NAFTA seem a bit menacing, but I'm convinced that the reality of NAFTA will be far more auspicious. Most of the recent press coverage about Canada-U.S. trade issues has focused on trade disputes. But out of the literally thousands of products that cross the U.S.-Canada border — more than \$176 billion in total trade last year — we seem to disagree most on (1) magnesium, (2) Honda Civics, (3) soft wood lumber, and (4) beer, the issue that concerned me most until its resolution last weekend.

An editor at *The Financial Post* estimates that disputed products represent less than two per cent of our bilateral trade. The FTA dispute settlement procedure has already proven a success, mediating challenges on West Coast salmon and raspberries from British Columbia.

The GATT panel, which has jurisdiction over the beer and wine dispute, has proven to be scrupulously fair. According to last week's signed agreement, it appears that we're both wrong.

The FTA trade liberalizations were so advantageous that the private sectors of both our countries pressed for, and won, accelerated schedules of tariff reductions. An analysis by the Royal Bank of Canada shows that the FTA may actually have moderated the impact of the economic downturn here in Canada.

So those people who point to recent economic problems as an argument against NAFTA have missed the point about the crucial benefits of free trade. We in Massachusetts, for example, have had the unfortunate position of being one of

the leaders of the U.S. recession. We've lost 300,000 jobs, 10 per cent of our work force, since 1988.

But we have also seen signs that our recovery is coming, and there is little doubt that our ability to trade in global markets is, and is going to be, a major factor pulling us back onto our feet.

I'm reminded of former Trade Minister John Crosbie's comment. "Managed trade is a short-sighted approach," he said. "It replaces competition among firms with competition among bureaucrats and interest groups."

Or as President Bush noted last week, some people wrongly "suggest that we can hide in a cocoon of protection and pretend still to benefit from the fresh air of competition."

Given what's happening in the world around us, with the formation of the European Community market, the powerful alliances developing along the Pacific Rim, and the emerging markets in Eastern Europe, companies here in North America will benefit most from our own free-trading bloc.

We're talking about forming the world's largest market — 360 million people in a \$6-trillion economy. Under NAFTA, companies in Canada, the United States, and Mexico not only are going to be able to trade freely here at home, these employers will also be in a much stronger position to swim a bit more fish-like through these other global markets.

I'm a zealous advocate of lowering trade barriers because I also see another, more complex cause behind the economic changes going on worldwide. It's not just a case of having to compete in an international marketplace. I think we're in the middle of a fundamental transformation in the way we do business — a change triggered by the ever-increasing pace of technological developments.

As one example of personal interest to me, look at the recorded music industry. After decades of cassette tapes and LPs, we moved to the compact disc as the new standard format for recorded music. That has lasted just long enough for me to switch over all my *Rolling Stones* and *Neil Young* albums. Earlier this month Sony held a press conference to

announce not one, but two new recording formats: the mini disc, and digital audio tape.

Or take the computer industry. After a decade of mainframes, the personal computer was introduced, and the technology took off from there. Now we have "notebook" computers, an inch-and-a-half thick with flat-screens; new generations of "driven" chips that double and quadruple the computer's speed; we have programs that think in "fuzzy logic"; available RAM that's got a capacity three times as big as last year's hard drives; massively parallel processing. Just keeping up with the new products on the market is a full-time job.

Toothpaste comes in "mild flavoured" gels with new ingredients to whiten your teeth. Laundry soaps are improved, biodegradable, with recycled packaging. Cheese-coated popcorn is passé; today, the potato chips still have the skins on them; tomorrow's favourite may be fried macaroni.

In short, change is coming at a faster pace than ever before. Manufacturers are having to better tailor their products to their market, identifying market-niches for their products, and they're having to do it faster, because consumers' demands are changing on an almost daily basis. Advances in technology are being made at an ever-more-rapid rate.

And there's no way that traditional manufacturing processes are going to be able to keep up with that rate of change. Henry Ford's assembly-line production was a miraculous innovation at the time. Now, the idea of taking several years to get a new model car onto the market seems like an eternity. So we're moving to a new type of manufacturing that's flexible enough to change with technology, or with customers' changing whims, quick enough to leap into a new market that has suddenly developed.

It's the type of production where the added-value is less a function of the "finished product" and more a function of how well that product meets consumers' specific needs.

To give you an example, we have a telecommunications company in Massachusetts, Octocom Systems, that has succeeded because they've copied the Japanese and turned the traditional manufacturing process on its head. The first thing that they do is to sit their service representative down with the customer, assess the client's existing network, and determine what the system needs to make it work better.

Then and only then do the engineers at Octocom design the product. Octocom is one of the fastest growing companies in Massachusetts because they are able to rapidly tailor a product to the needs of the particular customer.

For many industries to compete in international markets in the decades to come, the ability to find and develop niche-markets worldwide will be far more important than creating economies of scale in a single manufacturing location.

Flexibility and speed is the likely future of manufacturing. I don't think it's a coincidence that many of the Massachusetts manufacturers who are thriving in our economy are the ones with quick turnaround, the ones that can instantly alter their product line.

This concept holds true not just for Massachusetts, but also for many Canadian firms. Even as I speak, dozens of Canadian environmental services companies are meeting with their New England counterparts at a trade show in Boston. The Canadian firms met yesterday with Tom McMillan, with my Lieutenant Governor, Paul Cellucci, and with firms from the Environmental Business Council in Massachusetts to discuss potential alliances both here in North America and in other markets.

Last month, the Ontario government office in Boston and my International Trade Office jointly hosted about 200 representatives of computer software firms at an international strategic alliance symposium. This effort produced a newly published directory of companies from both countries, indexed by software applications, as well as by horizontal and vertical market niches.

Some of us on Beacon Hill in Boston are also learning a few lessons from the aggressive overseas marketing programs of your provincial and federal governments: last month I opened our first overseas trade office in Berlin, making Massachusetts the first state in the U.S. with an office in the German capital. We feel this helps Massachusetts get in on the ground floor of this East-West axis.

I think it critically important for our companies to reach out to new markets, not just in Southeast Asia and Europe but also in Latin America, in the North-South axis involving Israel and countries in Eastern Europe, and in Africa. Many of the mutual interests we share with your country are also shared by our neighbours to the south.

A year ago today, I welcomed President Carlos Salinas de Gortari and his key economic aides to Boston after their trip to Ottawa and Montreal. We discussed the possibility of exchanges among environmental industry leaders from Mexico and Massachusetts.

Last month, I participated in the signing of an agreement between our state's Environmental Business Council and one of the largest industry consortiums in Mexico. This kind of partnership will provide new markets for Massachusetts' environmental firms, but just as importantly it also allows for the resolution of complex cross-border problems.

In sum, I think the move to a global economy holds many more potential benefits than it does perils. A company's next great market and competitor is as likely to be in Barcelona or Bombay as it is in Boston.

Both Canada and the United States are likely to undergo a period of change in our industrial base, but I'm convinced that that change is unavoidable. While it might be possible to stall it, to postpone it through protectionist measures, a full-scale industrial restructuring is going to happen eventually; global forces outside our control are making change inevitable.

We might as well welcome it, understand it, and benefit from it, through an open, trilateral trade agreement.

Canada and the United States, in war and peace, have shared far more than the world's longest border. We've also shared the world's strongest alliance. I suggest that through NAFTA our two great empires can remain distinct but strong, up to the challenge of the new global economy.

As Professor Abraham Rotstein said in his oft-quoted line: "Much will have to change in Canada if the country is to stay the same."

Much will have to change in Massachusetts and the United States, as well. But it is my hope and belief that we will undergo these changes together, in partnership and in progress.

Thank you.

The appreciation of the meeting was expressed by The Hon. Barnett J. Danson, PC, Director, The Empire Club of Canada.

Annual General Meeting

President's Report

April 30, 1992

Chairman

John F. Bankes, President

John F. Bankes:

Honoured guests, distinguished Past Presidents, members and friends of The Empire Club of Canada. Notice has been given that our annual meeting is to be held on this date and I have asked the Club Secretary, Willis Blair, to act as Secretary for the meeting.

In accordance with Article VI, Sub-Section 2, The Empire Club's constitution, I am pleased to report on the year's activities.

Introduction

When the Abbe de Sieyes was asked what he did during the French Revolution, he replied simply: "I survived." Having waged a few battles during 1991-92 on behalf of The Empire Club of Canada, I can relate. Although, as I look back on this year as President of The Empire Club, I am satisfied and proud of the Club's accomplishments.

Soon I will don the mantle as a Past President of The Empire Club. Joining the ranks of 88 distinguished predecessors is a humbling thought. I look forward to continuing to participate in Club activities as an active and involved Past President.

At this time, it is appropriate to reflect on the record of accomplishment of The Empire Club over the past 12 months and to anticipate the challenges ahead.

Speakers

As is customary, The Empire Club speakers this year were drawn from a wide range of backgrounds and disciplines. Predictably, the speech topics were also varied.

In extending invitations to address our members and guests, the Club directors and I targetted a number of topical themes. These multidisciplinary themes were selected based on recent developments in the economic, political and social arenas in Canada and abroad.

The most prominent speech themes for 1992-92 included:

- constitutional reform in Canada
- the economy and recovery from the recession
- trade reform: the elimination of international and domestic trade barriers
- the environment
- the reform of financial services legislation in Canada
- the galloping of history through Warsaw Pact countries, trampling the detritus of the old totalitarian regimes

In selecting prospective speakers to address the Club this year, I also tried to satisfy several personal goals and objectives. First, because Canadians are preoccupied these days with domestic issues related to the economy and the Constitution, I tried to intersperse in the roster of speakers individuals who brought an international perspective to The Empire Club lectern. During the past 12 months, the Club was addressed by speakers from Ukraine, Britain, Denmark, Switzerland, the United States and Hong Kong.

Secondly, Thomas Carlyle once said: "The history of the world is but the biography of great men." He, of course, should have added "and great women." An affirmative action approach was taken by your directors this year to identify and invite high quality female speakers to the Club's lectern.

And thirdly, Empire Club speakers this year were invited to address the Club's members and guests irrespective of their ability to draw a large audience. Prime ministers and bank chairmen can draw big crowds with great regularity. However, the Club is not fulfilling its mandate, in my view, if it restricts access to The Empire Club platform to those speakers who will ensure a large turnout. The 1991-92 year,

accordingly, offered Club members and guests a mixture of prime ministers, bank chairmen and leading spokespersons from a variety of other fields.

New Initiatives

The Empire Club is an institution steeped in tradition. In a rapidly changing environment, everyone needs some rocks of certainty to cling to in the rushing water of this uncertain world. Nevertheless, each Club President, while keeping one eye on the traditions and practices of the past, tries to implement new initiatives to meet the changing needs of the Club's members. In this respect, 1991-92 was no different from previous years.

Three of the new initiatives are worthy of note. First, the Club worked with representatives of the Heart & Stroke Foundation of Ontario and the Royal York kitchen staff to introduce healthier meals with lower fat and sodium levels.

Secondly, the Club experimented with new forums for holding luncheon meetings including a very successful meeting in Roy Thompson Hall.

And thirdly, we varied on occasion the format of the meetings. A speech followed by lunch is an attractive format for those members and guests who are anxious to return to their offices and are prepared to forego the meal.

Appreciation

The Empire Club functions smoothly thanks to the efforts of a large number of individuals and organizations. At the risk of overlooking some, I want to acknowledge the commitment and contributions of the following:

- the speakers.
- Anne Lato: her cheery disposition, quiet competence and dedication are essential ingredients in enabling the Club to deliver its first-class product. Anne has indulged my foibles (reminding me of them, from time-to-time, as she should) and has assumed a staggering burden of responsibility, which she has discharged with professionalism and good grace.

- the directors and officers of the Club: every director and officer has contributed this year in his/her own way. Working with a large number of able, busy and devoted directors and officers has been educative and rewarding. In particular, I want to acknowledge the contributions of those directors who are not standing for re-election at this Annual Meeting. Please accept my sincere thanks. It was Casey Stengel who said, following 10 American League pennants: "I couldna done it without the players!"
- Royal York staff under the leadership of Pierre Bougain and Annie Kwok.
- Rogers Community Channel 10 and CJRT 91.1 FM.
- Cantel: for sponsoring the weekly broadcasts.
- the Hermant family: for replacing The Empire Club banner.
- the officers and directors of The Empire Club Foundation: for funding and facilitating the production of the annual yearbook.
- Past Presidents: for laying the foundation of a great club and for continuing to work and participate to enhance the stature of the organization. In many ways, the directors and officers of The Empire Club look to the Past Presidents as a moral compass to assist in establishing the Club's direction.
- Tony van Straubenzee and Sarah Band: for encouraging me to allow my name to stand as Empire Club President.
- Empire Club members and guests: for supporting the Club and for attending luncheon meetings. Their confidence and loyalty over many years have helped build Canada's most prominent speakers' forum and have contributed to the unique spirit and culture of the organization.

On a more personal level, I want to thank members of my family for supporting and encouraging (and, yes, criticizing) my efforts as President of The Empire Club.

A vote of thanks is also owed to Kathy Johnston, Alice Chan, Sharon Croft, Patricia Johnson, and Deborah Murdock for assisting with the production of Empire Club documents including numerous drafts of my introductory and appreciation remarks.

In Memoriam

The 1991-92 Empire Club year was tinged with sadness on account of the passing of three distinguished Past Presidents:

Harold R. Lawson (1959-60)

The Rt. Hon. D. Roland Michener (1964)

Robert L. Armstrong (1973-74)

The contributions of these three gentlemen to the Club are well known. We shall miss them.

The Future

The future of The Empire Club depends, in part, on the Club's ability to deal successfully with a number of important issues. The following list of issues is not exhaustive:

- membership: efforts must be taken to boost membership levels in the Club.
- attendance: the willingness of good speakers to address the Club's members and guests will depend, in part, on the ability of the Club to attract large audiences.
- finances: the strength of the Club's annual income statement is dependent on membership and attendance levels and appropriate cost controls. Periodic S-O-S signals wash up on the Club's beaches with the clear message that remedial action to address this issue must be a priority.
- publicity: Empire Club luncheon meetings need to attract a higher profile in the media.
- Canadian Club: improved co-operation with our sister organization is essential. The Canadian Club's periodic shots across our bow resulted in plenty of unnecessary *Sturm and Drang*.

- director renewal: the membership of The Empire Club board must be regularly purged of inactive directors to allow new blood in the organization.
- new formats: the directors of the Club must be open-minded about experimenting with new meeting formats to meet the changing needs of the Club's members. The Club cannot afford to slip from stunned somnambulance to inertia in preparing for its centenary and beyond.

These issues are not insurmountable. I view them simply as speed bumps on the Empire Club's road to progress.

I look forward to working with my successor, Bob Brooks, to address these (and other) issues to help build for the Club's future success. I wish him every success as 90th President of The Empire Club and am confident that he will enjoy the same invaluable support as I did from the Club's directors, officers and members.

This is a wonderful club, this Empire Club of ours. Thank you for the opportunity to serve as President.

Membership

Total membership for the year 1991-92 is 1,775 compared to 2,062 members in 1990-91. Categories of membership are as follows:

	1991-92	1990-91
Honorary Life Members	5	4
Life Members	182	192
Spousal	422	502
Regular	937	1,084
Student	17	17
Senior	212	263

Attendance

To date, a total of 43 meetings attracted 12,685 attendees representing a statistical average of 295 attendees per meeting.

Finance

Membership fees for regular membership, \$40.00; spousal membership, \$50.00; senior or student membership, \$30.00; senior spousal, \$40.00 and varying amounts depending on age for life membership. Luncheon prices for members approximate the hotel charge for luncheons. An additional charge of \$5 is levied on non-member luncheons. The financial statements for the year ending April 30, 1992, will be presented to the Board of Directors. The audited financial statements will be published in the 1991-92 yearbook.

Respectfully submitted,

John F. Bankes
President

John Bankes moved acceptance of the Annual Report, seconded by Diana Chant, then called upon the Immediate Past President and Chairman of the Nominating Committee, Harold Roberts, for the report of the committee.

Harold Roberts

Mr. President, distinguished guests, members and friends of The Empire Club of Canada: It is my pleasure, as Chairman of the Nominating Committee, to report on the work of that Committee which was constituted in accordance with Article III of The Club's Constitution.

From the Board of Directors:

John Bankes
Robert Brooks
Willis Blair
Katie Hermant
Harold Roberts

From the membership at large:

Catherine R. Charlton
Douglas Derry
Ronald Goodall
M.Gen. Bruce Legge

The Nominating Committee is pleased and privileged to report that the honorary offices nominated for The Club for the 1992-1993 season are:

Honorary President

The Rt. Hon. Ramon J. Hnatyshyn
P.C., C.C., C.M.M., Q.C.
Governor General of Canada

Honorary Vice-President

The Hon. Henry N. R. Jackman
C.M., O.St.J., B.A., LL.B., LL.D.
Lt. Governor of Ontario

Honorary Chaplain

The Rev. Dr. J. Robert Watt
B.A., M.Div., D.D.

Honorary Secretary

Alan Tonks

Honorary Treasurer

Hartland M. MacDougall, C.V.O., O.C.

Honorary Solicitor

J. A. Wm. Whiteacre, M.M., C.D., Q.C.

Honorary Assistant Secretary

W. Malcolm McIntyre

Archivist & Historian

Gordon G. Steele, M. Com.

The Nominating Committee is pleased to report that Willis L. Blair will continue as Secretary and that Diana Chant, C.A. has agreed to continue as The Club's Treasurer.

According to our constitution — "The Board of Directors shall consist of forty members, including at least four Past Presidents of The Empire Club, one of whom shall be the immediate Past President and three others shall be the three Past Presidents immediately preceding the Immediate Past President."

Therefore, in recognition of this constitutional requirement, the Committee nominates: the immediate Past President, John Bankes, and also Harold Roberts, Sarah Band and Tony van Straubenzee.

It is the recommendation of the Committee that for long and faithful service to both the Club and the Board of Directors that The Hon. Barnett J. Danson, P.C. be made an Honorary Director of the Club. Setrak Adourian, Leland H. Ausman, Dr. Clarence B. Crummey, Dr. James A. Parish and Leslie C. Parkinson are to continue as Honorary Directors.

Furthermore, the Nominating Committee recommends unanimously that the following members of the Board of Directors continue to serve in the coming year:

Edward P. Badovinac

Graham D. (Sam) Blyth

Mary R. Byers

L.Col. A. G. (Sandy) Cameron S.B.St.J., AdeC

John A. Campion

A. Carlyle Dunbar
David A. Edmison
Blake C. Goldring
Peter K. Hendrick
Katie Hermant
Montague Larkin C.A.
Marcia McClung
Bart J. Mindszenty A.P.R.
Maria Roman
Angus Scott
Margaret Scrivener
Gareth S. Seltzer
K. Brent Snell
C. Alexander Squires
Larry Stout
L. Douglas Todgham
John H. Tory, Q.C.
William G. Whittaker Q.C.

I would like to take this opportunity to pay tribute to those officers and Directors who have served so faithfully on the Board, but who we regret have had to step down.

Robert C. Watt
Eileen Mercier
Stewart A. Searle
Thomas R. Spencer

Each of these people has given fine service to the Club and we thank them and hope they will continue to enjoy active participation in the affairs of The Empire Club of Canada.

Your Nominating Committee is pleased to nominate unanimously the following new members for the Board of Directors:

Capt. (N) Robert N. Baugniet A.P.R.
S. W. (Sam) Billich
Maj. William A. Duncan
Julie K. Hannaford
Duncan N. R. Jackman

Anne Libby

Thomas L. Wells

In addition to the above mentioned nominees, your committee also recommends the election of the following three people who will be proposed to the Board of Directors for appointment to the positions of Vice-President:

1st Vice-President

Hershell Ezrin

2nd Vice-President

Frederick L. R. Jackman PhD.

3rd Vice-President

E. John Freyseng, Q.C.

Finally your committee is pleased to nominate for the Presidency of The Empire Club of Canada for its 1992-1993 season its 90th year, Mr. Robert L. Brooks.

Mr. Brooks is Executive Vice President, Investment Banking with the Bank of Nova Scotia. He is also Vice President and Director of Scotia Mortgage Corporation and serves as Director of seven sub groups of the Bank of Nova Scotia. His career with the bank began in 1968 after graduating from the University of Western Ontario with an M.B.A

Mr. Brooks was born in Kelvington Saskatchewan and graduated from the University of Manitoba with a B.Sc. in 1965. He is married to Brenda and they have three sons: Derek, Keith and Ian.

Outside of business Mr. Brooks has worked for the Heart and Stroke Foundation and the United Way.

Mr. Brooks joined The Empire Club of Canada in 1988 and immediately took an active participation in the affairs of the Club. He has served as a Director, Vice President and has participated in the Head Table Committee, Membership Committee and Nominating Committee.

Ladies and gentlemen, I am honoured to place Robert L. Brooks' name in nomination for the presidency of The Empire Club of Canada for 1992-93.

In conclusion, I wish to thank the members of the Nominating Committee for all their work and on their behalf, I move the adoption of this report.

Robert Brooks moved acceptance, seconded by Blake Goldring. There being no further nominations, Gordon Steele moved that nominations be closed. Carlyle Dunbar seconded the motion.

The President then asked the Secretary, Willis Blair, to cast a single ballot in favour of those persons named in the report of the Nominating Committee, in accordance with Article III-3 of the Constitution of the Club. The President declared the members properly elected as Directors of The Empire Club of Canada for 1992-1993, the Club's 89th year. The meeting was adjourned.

The Empire Club of Canada

MEMBERSHIP 1991-1992

Life Members

N. John Adams
Setrak Adourian
J. D. Alexander
John P. Alexander
William N. Allan
Graham H. Ambrose
B.Gen. & Mrs. S. F. Andrunyk
Leland H. Ausman
Ruby P. Avison

Mr. & Mrs. Edward Badovinac
John Bassett
Mr. & Mrs. Ian S. Baxter
D. S. Beatty
M. E. Louise Beck
Everton R. Belyea
Ferne Bennett
Dr. R. C. Bennett
Bruce Birrell
Willis L. Blair
R. L. Broad
F. B. Brooks-Hill
Arthur E. Brown

W. Allan Campbell
Mrs. Charles Carter
Sir Arthur R. T. Chetwynd
& Lady Chetwynd
Samuel Ciglen
James L. Clare, F.S.A., F.C.I.A.
Walter W. Comber
Mr. & Mrs John Cook
George A. Corey
Benedict G. R. Cotterill
John A. D. Craig
Dr. H. V. Cranfield
Nola Susan Crewe
Dr. & Mrs C. B. Crummey
Mrs. Matthew Currie

Charles O. Dalton
George C. Damiani
Douglas A. C. Davis

Elvio Del Zotto
Mr. & Mrs D. L. Derry
Robert G. Douglas
A. A. Duncanson
E. B. Dungey
Mr. & Mrs E. A. Duvernet

Joseph L. Etherington

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Frank E. Forsdike
Federico Friedberg
Col. C. S. Frost, Jr., Q.C., C.D.

Lillian G. Gandier
George Raymond Gibson
John W. Graham, Q.C.
J. Rennie Graham
Kenneth G. Graham
Patricia A. Grand
Wayne Scarisbrick Gray
Ian Griffin
John W. Griffin

B. Halstead
George S. Hanson
George M. Hargraft
Nona Macdonald Heaslip
Paul T. Hellyer
Roland E. Henderson, Q.C.
Robert I. Hendy
Mr. & Mrs. John T. Hepburn
Adam B. T. Hermant
John D. Hermant
Peter Hermant
Sydney Hermant
John D. Herrick
Col. R. H. Hilborn
William S. Hill
Dorothy Hobbs
Mr. & Mrs Herbert R. Hobbes
Dennis Holota
Mrs. E. Howell

A. E. M. Inwood
John F. Irwin

Henry N. R. Jackman
W. Henry Jackman
John M. P. Joel
James H. Joyce
Friederich W. Jung

Elfreda W. Karn
John Kemp
F. Marion Kiddell
Rev. Sterling Kitchen

Aileen M. Lacey
James G. Laidlaw
A. T. Lambert
John V. Lawer, Q.C.
Col. Wm. R. Learmonth
M.Gen. Bruce J. Legge
Kenneth Legge
Eric N. Lehner
Friedrich Lehner
James D. Lewis
R. G. Loftus
Mr. & Mrs D. D. Lucas
Joseph F. Luciano

E. Nelson MacNab
John & Gail MacNaughton
C. John Martin
Beverley Matthews, Q.C.
Ewald P. Mazurek
Fred G. McBrien
John S. G. McCrimmon
James W. McCutcheon, Q.C.
F. Y. McCutcheon
Konrad R. W. Mech
John D. Memory
Dr. Herbert Michel
Mr. & Mrs. Edwin Mirvish
D. M. Morrison
John S. Moses
D. V. Mosher
Mr. & Mrs Clifford N. Moss
Clara Miriam Muskat

John F. Nagel
James G. A. Naish
Bernard T. Ness

Major & Mrs. R. B. Oglesby
Stanislaw T. Orlowski

Dr. James A. Parish
John A. Patton
Norman Pearson, F.R.T.P.I.
B. E. Plain
Dr. Sheila Pollock
D. A. Pryer

Grant L. Reuber
John E. Richardson
Rev. Dr. Howard R. Rokeby-
Thomas
Helen E. Roman-Barber
Professor Henry U. Ross
Col. The Hon. R. C. Rutherford

Leo E. Schacter, Q.C.
A. P. H. Schemmer Sr.
G. M. Sellar
J. A. Seyfried
Mrs. H. R. Shaver
Samuel V. Shefsky
Dr. & Mrs. W. K. Shultis
James R. Smeed
Albert Smith, Q.C.
Mrs. Donald T. (Audrey) Smith
Carleton Smith
Sam Sniderman, C.M.
Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder
Mr. and Mrs. G. G. Steele
Dr. Peter Stingelin
Mrs. Edgar J. Stone
The Hon. J. A. Sullivan

Graham John Tappin
Mrs. Barton F. Teasdale
Gareth Thomson
K. R. Thomson
Leonard I. Turkevics
R. Turnbull
Capt. T. C. Turner, C.D., R.C.N.R.
L.Col. P. J. Tuz, C.M., C.D.
Harry T. Tye

Michael Van Denbossche
Dr. Devendra P. Varma

Gordon Waldie, Q.C.
Kenneth M. Watson
F. Bartlett Watt
Hebert L. Webb
Sydney G. Webster
Douglas S. Wells, O.M.C.

J. K. Williams, Q.C.
Sydney Winkler
G. D. Wotherspoon

Andrew Stephen Zarnett

Senior Members

H. H. Alexander
Mrs. M. Allworth-Johnston
Rev. Harry Amey
Helen Anderson
William N. Anderson
K. B. Andras
Jas K. Angus
R. F. K. Anthony
Wm. L. Archer, Q.C.
G. Warren Armstrong
Douglas. B. Astley

G. W. Bahen
John T. Band
John R. Baragar
Gordon T. Batchelor
K. J. Beamish
R. I. Beatty
B.Gen. G. G. Bell, O.C., M.B.E., C.D.
Beatrice Bennett
Chf Judge C. E. Bennett
Mrs. A. Besko
W. Walter Bilbrough
Jessie K. Borthwick
Gwenneth Briggs
Alexander Budrevics
Theda A. Burton

Ian Cahill
Dorothea Carter
Hugh M. Carter
William B. Cavan
Mrs. H. M. Charlton
Peggy Charlton
T. Millar Chase
Lane R. Chester
Thomas Chisholm
Mattie Clark
James H. Clarke
A. H. M. Claus Van Banning
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Tom Clifford
J. M. Coker
J. C. P. Conrad
His Honour Judge F. J. Cornish

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Ronald J. Crichton
Mary E. Crompton
Stanley Crow

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Charles Duerdoth
Shaun Patrick Duffy

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Brian A. Edgar

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Keith E. Greenwood
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R. Jack Harris
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Ying Hope
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Barbara Macbeth Hurst

Lorna Inwood

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Bernice Jackson
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Arthur A. Kee
Clayton Keefe
Allison Kent
T. A. King, q.c.
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Coral Ko

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H. Peter Langer
Margaret Lant
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E. C. Lipsit
T. J. Little
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John H. Lupp

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Sheila M. MacKenzie
Marion E. MacLeod
Alan R. Marchment
June Marks
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Victor Martinaitis
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Henri Tellier
Blair W. Thompson
Samuel Tughan
C. Peter Tully

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I. N. Van Nostrand
Shirley Velletta

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Rev. J. Robert Watt
George S. Wegg
Patrick C. T. White
Richard L. Whittington
Pamela Wright

Dr. Omelian B. Yarey
William B. Yeats
Ernest Younes

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 B. Mae Byrne, C.A.

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 Donald Ross Cameron, Q.C.
 Cmdr. John J. Cameron
 S. Scott Cameron
 Linda A. Camp
 Mac D. Campbell
 R. A. Campbell
 John A. Campion
 D. D. B. Cane
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 Georgina Cannon
 Joe Cappe
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 Col. John Catto, C.D.
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 William Chambers
 Dixon S. Chant
 Catherine R. Charlton
 John P. Cheffins
 J. T. Chestnutt
 Y. Chouljian
 Dr. C. Chruzez
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 E. G. Clark
 Paul D. J. Clark
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 W. J. Clarke
 Max B. E. Clarkson
 John H. C. Clarry
 James Clemenger
 J. B. Clements, Q.C.
 Margaret Cocks
 J. M. Wayne Code
 J. A. Collins
 Ian Connerty
 Wayne V. Cook
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 K. Rolfe Cooke

W. J. (Bill) Cooke
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 Dianne Cote
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 W. D. Cowan
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 John William Craig
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 J. S. Crichton
 Richard Vincent Critchley
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 Hugh Crosthwait
Noel Croxon
 James C. Currie
 Taimi Cushing
 Dr. Kalman N. Czegledy

 Thomas P. D'Aquino
 Timothy Daciuk
 Lorraine Dal Chin
 Pauline Dale
 John Dalton
 John A. Darby
 S. Darveshali
 Rodica David, Q.C.
 James Davies
 Peter D. R. Davies
 Robert M. Davies
 Marjorie Daw
 Jeffrey Dawson
 M. Bruce Deans
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 Michael B. Deeb
 John E. Deeks
 W. G. Deeks
 Ross DeGeer
 Perry Dellelce
 Gary Denney
 Honor de Pencier
 John D. de Pencier
 Ian R. Dever
 Dr. Douglas Devnich
 Mary Di Tursi

John Dickey
Nicholas E. J. Dietrich
Donna Digby
Lloyd E. Dingle
C. B. Dipenta
Chris Dobson
Roger G. Doe
David L. Dorsch
Janette Doupe
Major Peggy Downes
Patrick D. Downey
James Dreiling
John Drygala
A. Carlyle Dunbar
Hon. Mdme. Justice T. M. Dunnet
Charles S. DuToit, C.A.
Jan Dymond

Stuart E. Eagles
B. H. Eckert
David A. Edmison
His Worship A. C. Eggleton
John Eisenschmid
Diane Elder
John J. Elder
Ian Ellingham
Gord Ellis
Angela Emerson
John H. Emery
Gino Empry
Anthony J. Engel
B. A. Ennis
Robert J. Ensor
Brenda S. Erickson
Ameer Esmail
Hershell Ezrin

Linda Fair
Rev. C. R. Farnsworth
Amelia Farquharson
W. R. Farquharson
Martin Feldstein
Peter T. Fell
Peter B. G. Ferguson
Richard H. Fisher
Robert E. Fitzhenry
Richard G. Fitzsimmons
Gerry Flahive
Hart Flatt
Muriel Flegler
G. Geoffrey Flood
Dr. John Flowers
C. Dennis Flynn

Fred Y. Forde
Bob Forsey
Elizabeth J. Forster
Sheila Foster
Andrew Alex Foti
R. P. Fournier
Hugh R. Franks
Seymour Friedland
Bernard S. Friedman
Victor E. Froese
Patricia S. Fromstein
Pamela D. Fruitman

Thomas C. Gardner
William C. Garriock
Joan Garson
Nancy Gelber
Hilary Geller
Eva Gerold
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John D. Gibson
Col. John W. Gibson
Larry H. Gilbertson
T. John Gillelan
W. H. Gleed
Tim Godfrey
Graeme Goebelle
Judy Goldring
W. L. Goldson
F. L. Gooderham
I. J. Goodreau
J. Lindsay Gordon
Jeffrey S. Gordon
Graham I. Gore
The Hon. Lorraine Gotlib
Dr. Helmut Gottlieb
H. F. Colin Graham
Dr. M. E. Graham
Paul Graham
William E. Graham
Barry T. Grant
Earle Gray
W. Trevor Green
T. P. Gregor
Douglas Alan Gregory
Andrew Griffin
Stanley I. Griffin
John Griffiths
Ralph H. Grunier, C.A.
John F. Grundy
R. Gunn
Rainer E. Gut
Jeff A. Guthrie

H. Donald Guthrie, Q.C.
Jeff A. Guthrie

Paul Haberl-Schicker, ESQ.
John R. Hadfield
C. K. Halton-Imison
Julie K. Hannaford
T. M. Hannan
Clifford Harding
Ruth Hart
C. Stuart Hartley
John C. Harvey Jr.
John Wilson Hauseman
Edwin F. Hawken
Nobuhiro Hayashi
B.Gen Paul A. Hayes, O.M.M., C.D.
Lynne D. Heaman
Charles H. Heidsieck
Peter K. Hendrick
Anthony O. Hendrie
Lars Henriksson
Dorothy Herman
Kathleen Hermant
John S. Herron
Linda Herron
J. S. Hershaw
Rives G. Dalley Hewitt
Harry D. L. Hill
Sharon Hills
Sidney Himmel
Toshihiko Hisayama
Dayle M. Hodson
Roy D. Hogg
R. C. Honey
Sir Clark J. Horan III
Stan D. Houston
Hon. W. G. C. Howland
R. Michael Huckson
Frank Huggins
Judith Humphrey
Sid A. Humphreys, C.A.
Gerald Hunchak
Sulakhan Singh Hundal
John G. Hungerford
Susan M. Hunt
Lt. Col. P. W. Hunter
Dr. A. D. Hutchison
Paul Huyer
Geoffrey M. Hydon

Ian O. Ihnatowycz
William J. Inwood
A. B. Irwin

John W. Irwin
Mildred Istona

Duncan Jackman
Frederic L. R. Jackman
Nancy Jackman
Rev. Edward J. R. Jackman
Maxime Jacob
Judy L. Jakuboski
Bruce G. James
T. G. Jamieson
H. J. Janthor
Marlene Janthor
Jacqueline Jean-Baptiste
Connie Jeffrey
Clifford R. Jenkins
Yvonne Jerred, C.G.A.
Don K. Johnson
G. James Johnson
Paul Johnson
Robert C. Johnson
Tom Johnson
James Johnston
Margaret M. Johnston
Werner Joller
Willi Justrich

Shamsh Kara
W. Kasprow
Terence Kavanagh
Carrie Kaye
Geri Keays
Gabor Kekko
Stewart C. Kellock
Morley C. Kells
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Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the balance sheet of The Empire Club of Canada as at April 30, 1992 and the statements of members' equity and revenue and expenditure for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at April 30, 1992 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

SMITH, NIXON & CO.
Chartered Accountants

Toronto, Ontario
October 29, 1992

Financial Report

THE EMPIRE CLUB OF CANADA Balance Sheet as at April 30, 1992

Assets	1992	1991
<i>Current</i>		
Cash and short-term deposit receipts	\$ 189,109	\$ 185,425
Accounts receivable	12,768	5,447
Inventory	2,521	666
	<u>204,398</u>	<u>191,538</u>
<i>Fixed Assets</i>	1	1
	<u>\$ 204,399</u>	<u>\$ 191,539</u>
 Liabilities		
<i>Current</i>		
Accounts payable	\$ 28,939	\$ 11,679
Due to The Empire Club Foundation	20,000	25,000
Provision for prepaid membership fees and unredeemed luncheon tickets	6,015	7,281
	<u>54,954</u>	<u>43,960</u>
 Members' Equity		
<i>Surplus</i>	128,268	125,429
<i>Life Membership Reserve (Note 2)</i>	21,177	22,150
	<u>149,445</u>	<u>147,579</u>
	<u>\$ 204,399</u>	<u>\$ 191,539</u>

Signed on behalf of the Board

John F. Bankes
Director

Diana L. Chant
Director

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA Statement of Members' Equity for the Year Ended April 30, 1992

	1992	1991
<i>Surplus, Beginning of Year</i>	\$ 125,429	\$ 132,413
Transfer from life membership reserve (Note 2)	1,300	700
Excess of revenue over expenditure (expenditure over revenue) for the year	1,539	(7,684)
<i>Surplus, End of Year</i>	<u>\$ 128,268</u>	<u>\$ 125,429</u>
<i>Life Membership Reserve,</i>		
<i>Beginning of Year</i>	\$ 22,150	\$ 22,850
Membership fee received	327	-
Transfer to surplus (Note 2)	(1,300)	(700)
<i>Life Membership Reserve, End of Year</i>	<u>\$ 21,177</u>	<u>\$ 22,150</u>

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA Statement of Revenue and Expenditure for the Year Ended April 30, 1992

	1992	1991
<i>Revenue</i>		
Membership fees	\$ 40,615	\$ 51,299
Luncheons – net	51,730	32,213
Interest	14,749	21,980
Others – net	1,000	–
	<u>108,094</u>	<u>105,492</u>
<i>Expenditure</i>		
Meetings	4,704	1,023
Members' notices	18,401	24,617
Office and general	6,349	7,885
Office salaries and employee benefits	33,038	28,285
Printing, stationery and postage	6,745	7,474
Publicity and promotion	3,242	4,014
Rent	12,351	12,759
Telephone	2,499	2,188
Yearbook donation and sundry expenses	19,226	24,931
	<u>106,555</u>	<u>113,176</u>
<i>Excess of Revenue Over Expenditure</i> <i>(Expenditure over Revenue) for the Year</i>	<u>\$ 1,539</u>	<u>\$ (7,684)</u>

The accompanying notes are an integral part of these financial statements.

Financial Report
THE EMPIRE CLUB OF CANADA
Notes to Financial Statements
for the Year Ended April 30, 1992

1. Significant Accounting Policies

(a) Revenue Recognition

Membership fees for the Club are recorded on a cash basis except fees relating to the next fiscal year which are deferred. All other revenues are recorded on the accrual basis of accounting.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value.

(c) Fixed Assets

Fixed assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as an office and general expenditure in the year acquired. There were no significant additions in the fiscal years ended April 30, 1992 and April 30, 1991.

(d) Due to The Empire Club Foundation

A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year. The balance includes the estimated costs of unpublished yearbooks.

2. Life Membership Reserve

Term deposit receipts are segregated as funding for this reserve in order to provide a continuing income to sustain the membership costs of life members all of which is recorded through the general fund. The reserve has been decreased by \$1,300 (1991 - decreased by \$700) in the current year to allow for decreases in the life membership roll.

3. Incorporation

The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

The Empire Club Foundation

Chairman's Report

Chairman: Reginald W. Lewis

December, 1992

Ladies and Gentlemen,

I am pleased to report that despite the setback at the beginning of my term of office, when the publisher of 1989/1990 yearbook went into receivership, with a great deal of help and assistance from The Bryant Press, the Foundation has published and distributed two yearbooks during 1992.

As well, the 1991/1992 collection of addresses is very close to publication, and I must express my profound thanks to our editor, Mary Byers, whose dedication and hard work have made it possible for the Foundation to produce Sarah Band's, Harold Robert's and John F. Banke's yearbooks in a little over twelve months.

Planning is well underway for a major fundraising campaign aimed at the corporate world, and we are continuing to seek contributions from the membership of the Club. Despite the vagaries of our economy I am heartened at the support the Foundation has received this past year, and I thank you all for your generous donations.

So too I thank the officers and directors of the Board of the Foundation, who have freely given of their time, assistance and advice in this, my first year as Chairman. I know I can count on their support and guidance in the coming year.

Yours sincerely,
Reginald W. Lewis, Chairman

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Chairman:	Reginald W. Lewis, CMM, CM, Ost.J, CD
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Honorary Solicitor:	J. A. William Whiteacre, MM, CD, QC
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The Empire Club Foundation

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Munk, Peter

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Canadian Reinsurance Company

Jack Cooper Family Foundation

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MacNaughton, John A.

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Swiss Bank Corporation

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Wilson, R.

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the balance sheet of The Empire Club Foundation as at April 30, 1992 and the statement of income and expense and members' equity for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the organization derives income from donations from supporters the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these incomes was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation income, excess of income over expense, assets and members' equity.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at April 30, 1992 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

SMITH, NIXON & CO.
Chartered Accountants

Toronto, Ontario
December 18, 1992

THE EMPIRE CLUB FOUNDATION

Balance Sheet as at April 30, 1992

Assets	1992	1991
<i>Current Assets</i>		
Cash and term deposits	\$ 105,101	\$ 120,055
Accounts and interest receivable	2,203	1,160
Due from The Empire Club of Canada	<u>20,000</u>	<u>25,000</u>
	<u>\$ 127,304</u>	<u>\$ 146,215</u>
 Liability		
<i>Current Liability</i>		
Accounts payable and accrued liabilities	\$ 112,398	\$ 103,420
 Members' Equity		
<i>Equity</i>	<u>14,906</u>	<u>42,795</u>
	<u>\$ 127,304</u>	<u>\$ 146,215</u>

Signed on behalf of the Board

Reginald W. Lewis
Director

Ronald Goodall
Director

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION

Statement of Income and Expense and Members' Equity for the Year Ended April 30, 1992

	1992	1991
<i>Income</i>		
Donations:		
The Empire Club of Canada	\$ 20,000	\$ 25,000
Supporters	12,579	36,780
Interest	6,786	9,029
	<u>\$ 39,365</u>	<u>\$ 70,809</u>
<i>Expense</i>		
Yearbook	66,521	47,226
Stationery, postage and other expenses	733	868
	<u>\$ 67,254</u>	<u>48,094</u>
<i>Excess of (Expense Over Income)</i>		
Income Over Expense for the year	(27,889)	22,715
Members' Equity - Beginning of Year	42,795	20,080
Members' Equity - End of Year	<u>\$ 14,906</u>	<u>\$ 42,795</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements for the Year Ended April 30, 1992

1. *The Foundation*

The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Accounting Policies*

The Foundation includes donations in income when received except for donations from The Empire Club of Canada which are included in income when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

CONSTITUTION

As amended April 26, 1973

Organization of the Club

ARTICLE I

Name

1. The Name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:

- (a) Honorary members
- (b) Life members
- (c) Regular members
- (d) Corporate members

All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminated at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds

majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.¹ Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organization shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be

¹*By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the

meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice President, a President, First, Second and Third Vice Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice

President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
 - (a) Budget and Finance Committee
 - (b) Speaker's Committee
 - (c) Membership Committee
 - (d) Constitution Committee
 - (e) Reception Committee
 - (f) Publicity and Public Relations Committee
 - (g) Yearbook Committee
 - (h) Head Table Committeeprovided that for any year the board of directors

may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person

other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

